

# Durham County Council

## Certification of claims and returns

Annual report 2014/15



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*Our reports relating to the 2014/15 financial year are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies.' Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.*

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# 1 Background

## The scope of our work

As the Council's appointed auditor, we acted as an agent of the Audit Commission. The Local Audit and Accountability Act 2014 transferred the Audit Commission's responsibilities to make certification arrangements for specified claims and returns to Public Sector Audit Appointments (PSAA). For 2014/15 the only claim or return within this regime was the Housing benefit subsidy return.

In 2014/15 the prescribed tests for our Housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by the Audit Commission.

During the year we have also been engaged directly by the Council to undertake assurance work on the following claims and returns

- Pooling of Housing Capital Receipts
- Teachers' Pension Return

These engagements are outside of the Audit Commission / PSAA regime and we have reported separately to officers on the outcome of this work. We have included the results of this work in this report to give members a full understanding of our assurance and certification work for 2014/15.

## Our certificate

For the Housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

For assurance provided on claims and returns outside of the Audit Commission / PSAA regime, we issue an assurance report instead of a certificate.

## 2 Findings

### The Council's control environment

We have not noted any weaknesses in your control environment for any claim or return.

### Amendments and Qualifications

The following claims and returns were certified in 2014/15:

#### Audit Commission/PSAA grant claims or returns

Claim or return	Value of claim or return	Amended	Qualified
Housing benefit subsidy	192,826,666	Yes – a number of amendments to cells. This led to total subsidy increasing by £259 from £192,826,407.	Yes – qualification letter issued to the Department on 18 November 2015.

#### Non Audit Commission/PSAA grant claims and returns

Claim or return	Value of claim or return	Amended
Pooling of Housing Capital Receipts	£2,704,573.27	No
Teachers' Pension Return	£119,424,959.31	No

### Housing benefit subsidy

As in previous years and in common with many other authorities, minor errors and minor differences in reconciliations supporting the Housing Benefits Subsidy claim were identified.

Where an error could be quantified the claim form was amended. The return was amended for one such error relating to backdated payments.

Where an error was identified in sample testing and it was not possible to quantify the error the matter was reported as an extrapolated error in a qualification letter to the Department. Our sample testing is split between initial testing and additional testing. Initial testing tests a random sample of 20 cases from each headline cell on the subsidy claim form for each of the three benefit types (non-HRA rent rebates, rent rebates and rent allowances). One error was identified in our 2014/15 initial testing. This was due to incorrect rent amounts for housing association properties being used in a rent allowance calculation. Testing of an additional 40 rent allowance cases was undertaken and no further errors were identified. The error in the initial testing resulted in an underpayment. We are not required to extrapolate on errors which result in the underpayment of benefit.

Certification Instruction BEN01 and the associated HBCOUNT approach instructs where initial testing does not match with cumulative audit knowledge and experience (CAKE) then additional testing must be

completed. As in previous years, additional testing was completed by the Authority testing a further 40 cases looking at specific issues which arose in the prior year. We then carried out our own re-performance of a sample of these cases. This additional testing identified errors in 2014/15 relating to:

- Incorrect claimant income being used in the calculation of rent rebate. This resulted in both under and overpayments in benefit. We reported in our qualification letter the extrapolated impact of the errors resulting in overpayments. We are not required to extrapolate errors which result in the underpayment of benefits.
- The charge being applied to non dependent income was incorrect in the calculation of rent rebate. The impact of these errors was an underpayment of benefit. We are not required to extrapolate errors which result in the underpayment of benefits.
- Incorrect self employed client information used in the calculation of rent allowance. Errors resulted in both under and over payment of benefit. We reported in our qualification letter the extrapolated impact of errors resulting in overpayments. We are not required to extrapolate errors which result in the underpayment of benefits.
- Errors in recording claimant's capital in rent allowance calculations. These errors resulted in underpayment of benefit. We are not required to extrapolate errors which result in the underpayment of benefits.

Where underpayments were identified the authority ensured those claims affected were amended and the entitled benefit was awarded to the claimant. A total of ten claims with a value of £2,171 were identified as being underpaid. Remedial actions have been taken by officers to prevent similar errors occurring in the future.

This year, in several areas, the additional work carried out on the prior year issues has resulted in no fails at all being identified for 2014/15.

As with previous years the number and severity of the issues identified and reported continues to decrease significantly for the Housing Benefit return. This reflects the ongoing improvements in practices and arrangements for administering this complex scheme.

## **Non PSAA grant claims and returns**

### **Pooling of Housing Capital Receipts**

Since 2004/05, local authorities have paid part of their receipts from the disposal of housing into a national pool run by DCLG. They are also required to pool a part of other receipts such as mortgage principal repayments.

We have carried out our work on the Council's Pooling of Housing Capital Receipts return in line with instructions issued by DCLG and concluded that the return was prepared, in all material respects, in accordance with the terms and conditions as set out in DCLG's instructions.

### **Teachers' Pension Return**

The Teachers' Pension Scheme is a contributory pension scheme administered by Teachers' Pensions on behalf of the Department for Education. Teachers employed in local authority maintained schools and other local authority establishments may be members of the scheme.

The Council is required to submit a return (EOYCa) showing teachers' pension contributions deducted and paid to Teachers' Pensions in the year.

For 2014/15, we concluded that the EOYCa for the year ended 31 March 2015 had been prepared, in all material respects, in accordance with the regulations underpinning the Teachers' Pension scheme. Without

qualifying our opinion we did report some matters in line with the requirements of Reporting Accounting Guidance (TP05).

### 3 Fees

Prior to its abolition, the Audit Commission set an indicative fee for our work on the Council’s Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the table below is in line with the indicative fee.

For claims and returns that fell outside of the Audit Commission / PSAA regime, we agree a fee with Council officers prior to commencing our work.

For 2014/15 the following fees were charged for certification work:

#### Audit Commission/PSAA grant claims or returns

Claim or return	2014/15 indicative fee	2014/15 final fee	2013/14 final fee
Housing benefit subsidy	£32,210	£32,210	£26,995*

#### Non Audit Commission/PSAA grant claims and returns

Claim or return	2014/15 fee	2013/14 fee
Pooling of Housing Capital Receipts	£1,500	£246**
Teachers’ Pension Return	£4,850	£5,900

\*The 2013/14 and 2014/15 indicative fees were set by the Audit Commission. The 2014/15 fee reflects the level of work required to complete our benefits testing.

\*\*This was the indicative fee set by the Audit Commission as the Pooling of Housing Capital Receipts was under the Audit Commission regime. The fee in 2013/14 did not reflect the level of work required.

Should you require any further information on this report or on any other aspect of our work, please contact:

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