

# Certification of claims and returns annual report 2016/17

St Edmundsbury Borough Council

8 December 2017

Ernst & Young LLP



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8 December 2017

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Dear Members

## **Certification of claims and returns annual report 2016/17 St Edmundsbury Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on St Edmundsbury Borough Council's 2016/17 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016/17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Summary**

Section 1 of this report outlines the results of our 2016/17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £28,531,699. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016/17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).



We welcome the opportunity to discuss the contents of this report with you at the 31 January 17.

Yours faithfully

**Mark Hodgson**  
Associate Partner  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£28,531,699
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2016/17	£22,583
Fee – 2015/16	£24,722
Recommendations from 2015/16	Findings in 2016/17
None	N/A

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous year's claims. We found errors and carried out extended testing in several areas.

We have reported the extrapolated value of these errors, underpayments, and other observations in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

The testing of the initial sample of Rent Allowances identified 1 case where rent had been incorrectly assessed resulting in an overpayment of benefit. As the nature of the error is such that either an underpayment or overpayment may arise, we undertook further testing of a random sample and identified 1 additional error where rent had been incorrectly assessed resulting in an underpayment of benefit. We reported an extrapolated value of these errors of £5, in our qualification letter.

In our 2015/16 qualification letter, we reported that testing of 40+ in Rent Allowances identified cases where the authority had incorrectly calculated claimant income. As part of our audit work undertaken on the 2065/17 subsidy claim, all claims containing claimant income were identified and 40+ testing undertaken identifying the following errors:

- ▶ 5 cases where income had been incorrectly calculated resulting in an underpayment of benefit;
- ▶ 1 case where income had been incorrectly calculated which had no impact on the subsidy claimed; and
- ▶ 4 cases where income had been incorrectly calculated resulting in an overpayment of benefit.

We reported an extrapolated value of these errors of £12,315, in our qualification letter.

In our 2015/16 qualification letter, we reported that testing of 40+ in Rent Allowances identified cases where the authority where occupational pension had been incorrectly input at the start of the claim. As part of our audit work undertaken on the 2016/17 subsidy claim, all claims containing occupational pension were identified and 40+ testing undertaken identifying the following errors:

- ▶ 1 case where occupational pension had been incorrectly input resulting in an underpayment of benefit;
- ▶ 1 case where occupational pension had been incorrectly input which had no impact on the subsidy claimed; and
- ▶ 5 cases where occupational pension had been incorrectly input resulting in an overpayment of benefit.

We reported an extrapolated value of these errors of £150, in our qualification letter.

## 2. 2016/17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2016/17 Actual fee £'s	2016/17 Indicative fee £'s	2015/6 Actual fee £'s
Housing benefits subsidy claim	£22,583	£22,583	£24,722

The indicative fee for 2016/17 was based on the actual fee for 2014/15 with a 25% reduction in scale fee.

For 2016/17 the level of error identified was similar to that identified in 2014/15.

### 3. Looking forward

#### 2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £24,722. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:  
<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

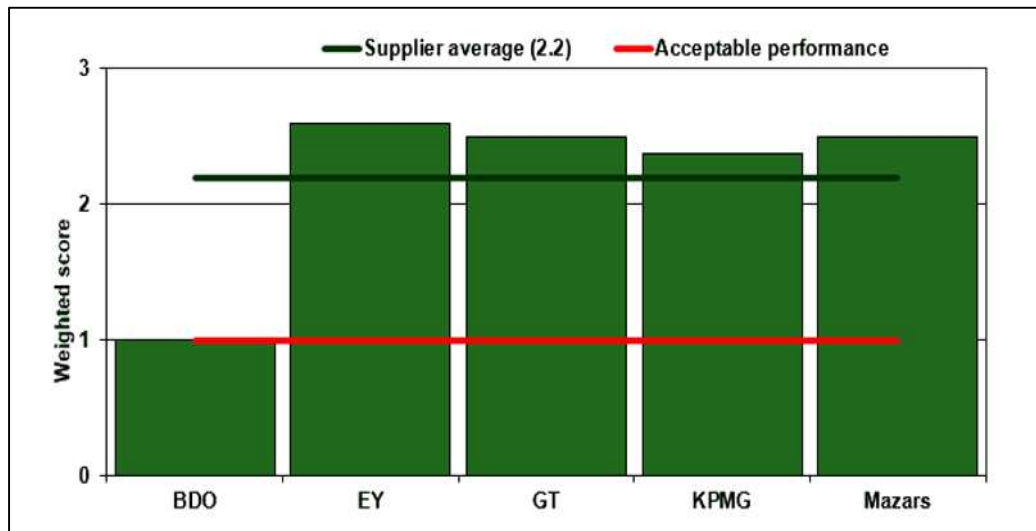
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Assistant Director (Resources & Performance) before seeking any such variation.

#### 2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.



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