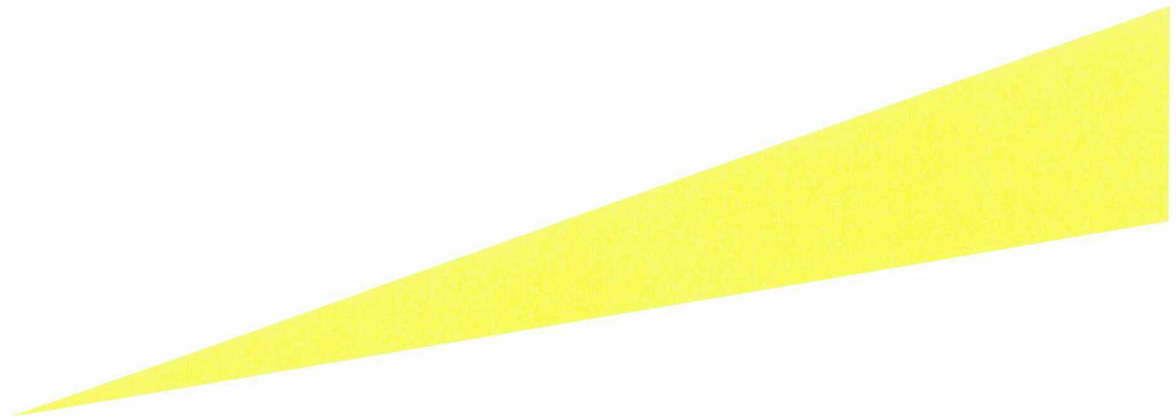


# Certification of claims and returns annual report 2017-18

Havant Borough Council

November 2018

Ernst & Young LLP



Building a better  
working world

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23 November 2018  
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Dear Members

## **Certification of claims and returns annual report 2017-18 Havant Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Havant Borough Council's 2017-18 claims and returns.

### **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 2017-18, 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 2017-18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £31,131,688. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work other found errors but these had no effect on the subsidy claim

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2017-18 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2017 and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We have made two recommendations this year, set out in section 4.



We welcome the opportunity to discuss the contents of this report with you at the Governance, Audit and Finance Board meeting on 6 February 2019.

Yours faithfully

A handwritten signature in black ink, which appears to read 'Andrew Brittain', is located below the 'Yours faithfully' text.

**Andrew Brittain**  
Associate Partner  
Ernst & Young LLP  
Enc

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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£31,131,688
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2017-18	£13,430
Fee – 2016-17	£17,872

Recommendations from 2016-17	Findings in 2017-18
Ensure that income is consistently assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence. Specifically through the utilisation of the new earnings assessment forms introduced in 2016-17 which are meant to improve accuracy of income recording	<p>Errors were found in income assessments when determining benefit entitlement.</p> <p>Errors were found where the Authority misclassified expenditure as a result of an incorrect cell cap</p> <p>An error was found where the Authority had made payment to a claimant who had already moved out of the property</p> <p>An error was found where the Authority used the incorrect rent value</p> <p>There were also variances identified between details per the subsidy system and the subsidy reports</p>

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 years claims.

Extended and other testing identified errors which the Council have not amended. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

### Non-HRA rent rebates

Our initial testing identified one case where benefit had been underpaid as a result of the Authority miscalculating the claimant's eligible meals resulting in an underpayment of £6.70 and a second case where expenditure of £641.13 had been misclassified due to an incorrect LHA cap. The misclassification was £95.76 between cell 13 and cell 12 and £545.37 between cell 14 and cell 15. As the nature of the error is such that either an underpayment or overpayment may arise, we undertook additional testing on rent and LHA rate caps on the remaining population.

Testing of the remaining population identified:

- Two cases (total error value: £1,713.18) where the Authority had misclassified expenditure as a result of an incorrect cell cap.

The effect of this error is to overstate cell 14 with a corresponding understatement of cell 15; there is no effect on cell 11.

- One case (total error value: £75.24) where the Authority had misclassified expenditure as a result of an incorrect cell cap.

The effect of this error is to overstate cell 13 with a corresponding understatement of cell 12; there is no effect on cell 11.

- One case (total error value: £74.02) where the Authority had misclassified expenditure as a result of an incorrect cell cap.

The effect of this error is to overstate cell 12 with a corresponding understatement of cell 13; there is no effect on cell 11.

- One case (total error value: £885.02) where the error arose due to a payment made to a claimant who had already moved out of the property

The effect of these errors is to overstate cell 12 by £163.93 and cell 13 by £721.09 with a corresponding understatement of cell 26 of £885.02.

- One case (total error value: £140.30) where the error arose due to an incorrect rent value used

The effect of these errors is to overstate cell 12 by £140.30 with a corresponding understatement of cell 26.

- Two cases (total error value: £4,479.52) with variances between the details per the system and the subsidy reports.

The effect of these errors was to overstate cell 12 by £461.32, cell 13 by £996.16 and cell 14 by £3,021.84 with a corresponding understatement of cell 26 of £4,479.52.

Cases were also identified where benefit had been underpaid, by a total of £1,791.73. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.

### **Rent allowances modified schemes**

Due to the errors identified in our audit of the 2016/17 subsidy we requested 40+ testing on 100% of the modified schemes population.

An error was identified as the war pension had been incorrectly entered. The value of the underpayment error is £11.15 and the value of the underpayment was for the period 20/03/17 – 31/03/17. Additionally there was an overpayment for £0.80 for the period 03/04/17 – 20/08/17. The Authority has not adjusted for the under or overpayment in the 2017/18 subsidy year.

## 2. 2017-18 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2017-18, these scale fees were published by the PSAA in March 2017 and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,430	9,240	17,872

The proposed final fee includes £3,540 in respect of additional work required to review and capture extended testing undertaken due to errors identified during our testing and the impact thereof on the qualification letter. We carried out three sets of extended testing in 2017-18, compared to none in 2015-16, which is the year from which the indicative fee for 2017-18 was set by PSAA. The proposed final fee also includes £650 in respect of delays experienced during planning and early testing. The proposed additional fee is subject to approval by the PSAA.

### 3. Looking forward

#### **2018/19**

From 2018-19, the Council is 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 has now been published and the Council has appointed EY as its reporting accountant from 2018-19 for a period of one year, subject to the agreement of an engagement letter.

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



## 4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
For non-HRA cases the process for ensuring benefit is not paid to non-HRA claimants who have vacated should be refined. This can be done by agreeing an improved process with the Housing Options team.	Medium	Agreed	With immediate effect	Revenue and Benefits Manager
Ensure that the correct rent level is applied on non-HRA cases. Subsidy is based on the lower of LHA rate, actual rent and the rate cap. Consideration should be given to incorporating checks into a standard procedure for non-HRA cases to confirm correct rent level including quality assurance regarding eligible meals.	Medium	Agreed	With immediate effect	Revenue and Benefits Manager

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