

Certification of claims and returns annual report 2016-17

Havant Borough Council

December 2017

Ernst & Young LLP



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The Members of the Governance and Audit Committee
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

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Direct line: 07976 515115
Email: abrittain@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 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 2016-17 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 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 £32,237,350. 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).

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



We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting on 7 March 2018.

Yours faithfully

Andrew Brittain
Associate Partner
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,237,898
Amended/Not amended	Amended – subsidy decreased by £548
Qualification letter	Yes
Fee – 2016-17	£17,872
Fee – 2015-16	£9,240
Recommendations from 2015-16	Findings in 2016-17
None	Errors were found in income assessments when determining benefit entitlement. Further details of these findings are included in section 4.

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 amended. They had a small net impact on the claim. 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 two cases where income assessments were incorrect. There was both an overpayment and an underpayment of £3.20. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. As this was a small population all cases were checked and a further error was identified amounting to £15.06.

No adjustments to the claim have been made in respect of these findings within the 2016-17 subsidy claim.

Our initial testing also identified one case where the Council had incorrectly classified a claimant as passported. In addition, the authority has not updated the income for this period due to more recent payslips being received (this update would not have been expected as claimant was passported). As the applicable amounts are greater than the income, there is no effect on subsidy. Our extended testing identified three further errors. These had no subsidy impact and so they have not been included within the qualification for cell adjustment purposes since no error in subsidy has been noted.

Rent allowances

Our initial testing identified one error as a result of an incorrect manual override relating to a claimant that had been living with a boarder for part of the year but benefit had been paid on this basis for the full year which resulted in an overpayment of £658.58. As a result the Council undertook extended testing which we reviewed. The extended testing did not identify any further errors.

We extrapolated the overall value of errors which resulted in the overpayment of benefit. The total extrapolated value of errors was £980.80. No adjustments were made to the claim in respect of this issue.

Rent allowances modified schemes

We identified one case where benefit had been underpaid as a result of errors in war pension calculations amounting to £327.79 in total. Although the Council had introduced new earnings assessment forms to improve the accuracy of income recording, this did not mitigate in entirety this error from occurring and therefore provided limited assurance that the issue would not reoccur in the 2016-17 claim.

Although an underpayment was noted, the error could have easily resulted in overpayment and so extended testing was required. The Council undertook extended testing which we reviewed. As this was a small population all cases were checked and a further error was identified where an earnings error resulted in overpayment of benefit (total value £169). No adjustments were made to the claim in respect of these issues.

Rent allowances misclassification of overpayments

We identified one case where the incorrect rent rate had been applied relating to the number of children. This should not have been considered an eligible overpayment as payment was made after the relevant information had been received by the Council (total value £91.89). As a result the Council undertook extended testing which we reviewed. The extended testing identified one further error where the incorrect rent rate had been applied relating to a change in eligible rent (total value £38.52).

We extrapolated the overall value of errors which resulted in the overpayment of benefit. The total extrapolated value of errors was £367.04. No adjustments were made to the claim in respect of these issues.

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.psaa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	17,872	13,380	9,240

The proposed final fee includes £4,492 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 five sets of extended testing in 2016-17, compared to two sets of extended testing in 2014-15, which is the year from which the indicative fee for 2016-17 was set by PSAA. The proposed additional fee is subject to approval by the PSAA.

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 £9,240. 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.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

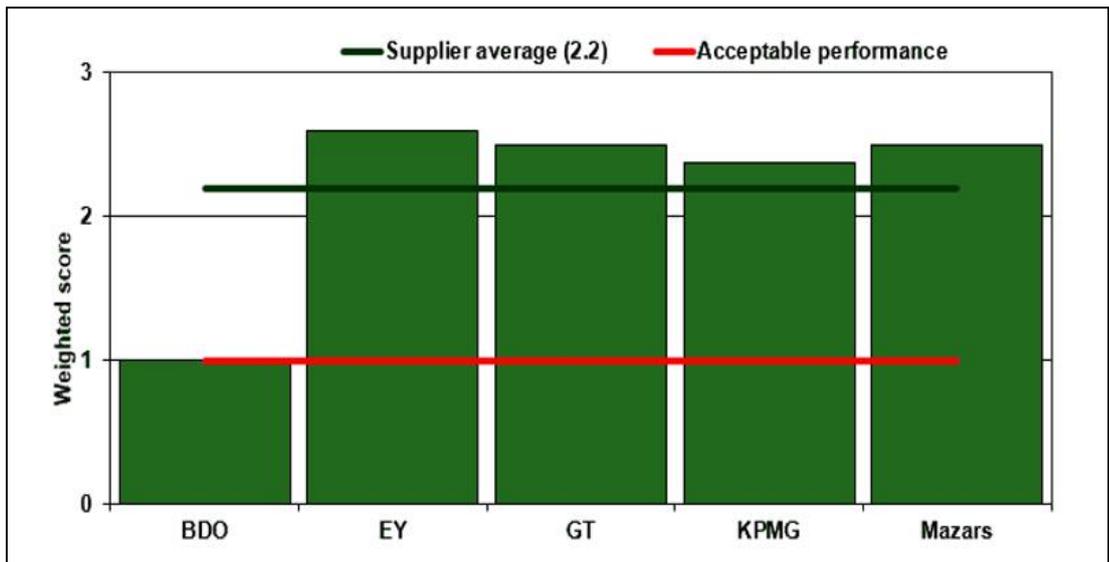
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Financial Officer before seeking any such variation.

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.

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
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.	Medium	Agreed	With immediate effect	Revenue and Benefits Manager

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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