

Certification of claims and returns annual report 2016/17

Breckland Council

6 December 2017

Ernst & Young LLP



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6 December 2017

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Dear Members

Certification of claims and returns annual report 2016/17 Breckland Council

We are pleased to report on our certification work. This report summarises the results of our work on Breckland 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 £32,907,309. 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 welcome the opportunity to discuss the contents of this report with you at the 16 February 2018 Governance and Audit Committee.

Yours faithfully

Kevin Suter
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,907,309
Amended/Not amended	Amended – subsidy increased by £80
Qualification letter	Yes
Fee – 2016/17	£13,465 (subject to PSAA approval)
Fee – 2015/16	£11,210

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. We found errors and carried out extended testing in three areas, which represents a small increase in the level of errors from the previous year.

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:

- testing of the initial rent allowance sample identified one case resulting in an underpayment of benefit awarded as a result of Working Tax Credit being input incorrectly. Extended '40+' testing was undertaken identifying 5 further errors where tax credits had been input incorrectly resulting in an underpayment of benefit for 2 cases and no impact on benefit for the other 3 cases. No overpayments were identified.
- testing of the initial rent allowance sample did not identify any errors where the Authority had overpaid benefit as a result of a carers allowance not being removed when entitlement ended, however, extended '40+' testing was undertaken due to errors of this nature in previous years. This identified 2 cases where there was no impact on benefit, as a result of an incorrect amount of carers allowance being used. No underpayments or overpayments were identified.
- testing of the initial rent allowance sample did not identify any errors where benefit had been underpaid as a result of an input error in the income assessment, however extended '40+' testing was undertaken in each of these areas due to errors of this nature in previous years. This testing identified 9 cases with errors; 6 cases where benefit had been underpaid, 2 cases with no impact on the claim and 1 case where the Authority had overpaid benefit as a result of an input error on earned income.
- testing of the initial non-HRA rent rebate sample identified one case where subsidy had been underclaimed as a result of the housing benefit system incorrectly splitting expenditure between cells. No additional testing was undertaken as this type of error will always result in an underclaim of subsidy; and
- testing of the initial rent allowance sample identified one case with no proof of statutory sick pay that was assumed to be received by the claimant. This was

subsequently found not to be in payment resulting in an overstatement of income and an understatement of benefit. No additional testing was undertaken as this type of error will always result in an underpayment of benefit.

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).

Claim or return	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,465	15,465	11,210

The indicative fee for 2016/17 is based on the actual fee for 2014/15.

For 2016/17 the level of error identified was similar to that identified in 2014/15 and increased from that identified in 2015/16. However, we are able to reduce the fee by £2,000 to reflect that the Council undertook the completion of initial testing.

Our final proposed fee remains subject to approval by 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 £11,210. 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/>

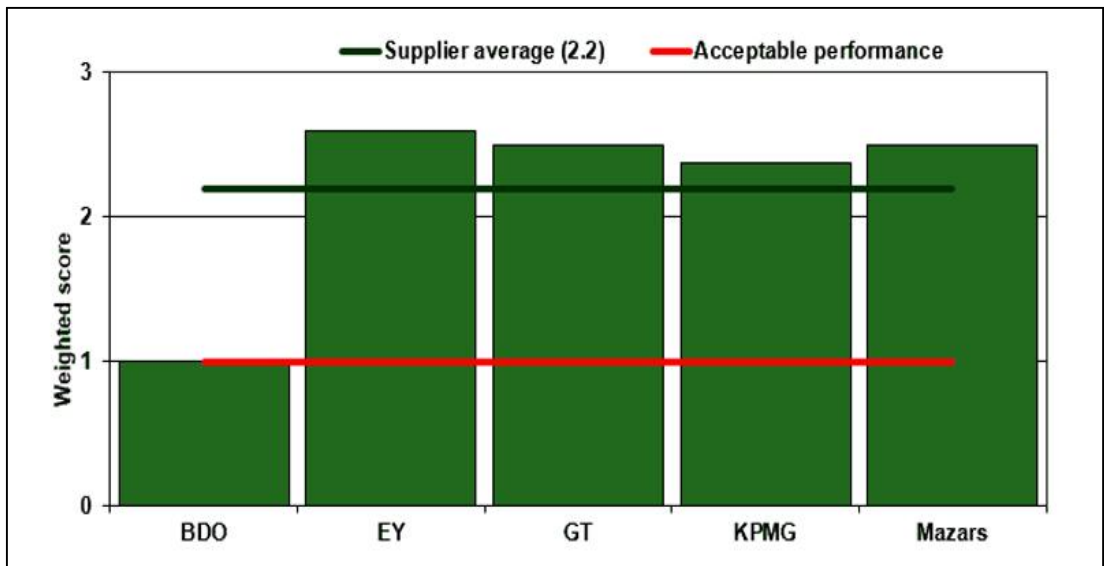
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Executive Director, Commercialisation before seeking any such variation.

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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