

# Certification of claims and returns annual report 2015-16

Three Rivers District Council

7<sup>th</sup> February 2017

Ernst & Young LLP



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7<sup>th</sup> February 2017

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Dear Members

## **Certification of claims and returns annual report 2015-16 Three Rivers District Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Three Rivers District Council's 2015-16 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 2015-16, 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 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £25,458,024. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

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

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 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 28<sup>th</sup> March 2017 Audit Committee.



Yours faithfully

Andrew Brittain  
Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£25,458,024
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£13,356
Fee – 2014-15	£23,764

Recommendations from 2014-15	Findings in 2015-16
This is EYs first year as auditor we did not make any recommendations in the prior year.	Testing was not completed in line with the agreed timetable and workbooks were not always completed to the required standard. 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. We identified errors and carried out extended testing in the following areas;

- Rent rebates - Initial testing identified one case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly rent. Because of the error identified by our initial testing, extended testing on a sample of forty cases was undertaken. This testing identified a further twelve instances where the claimants income had been incorrectly assessed. These resulted in the overpayment of benefit (ten cases) and the underpayment of benefit (two cases). We reported the effect of the overpayment errors (a potential reduction in benefit eligible for subsidy of £3,098) in our qualification letter.
- Rent allowances - Initial testing identified one case where the Authority had underpaid benefit as a result of miscalculating the claimant's weekly income. Because errors using the income could result in overpayments extended testing on a sample of forty cases was undertaken. This testing identified a further eight instances where the claimants income had been incorrectly assessed. These resulted in the overpayment of benefit (two cases) and the underpayment of benefit (six cases). We reported the effect of the overpayment errors (a potential reduction in benefit eligible for subsidy of £374) in our qualification letter.

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 our further work to quantify the error or to claw back the benefit subsidy paid.

Additional work was carried out during the year on benefits follow-up work as a result of a previous year's qualification letter. The DWP asked us to carry out 40+ testing rent allowance cases from the headline cell to ensure the correct rent had been used in the benefits calculation. The fee charged for this work was £912.

## 2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,244	8,316	24,676

This is the first year EY have carried out the Housing Benefit Subsidy claim for Three Rivers District Council so we are unable to comment on the work done in the prior year.

The variation from the indicative fee in 2015-16 is due to an additional fee of £4,928 charged for the certification work. This was due to delays in receipt of extended testing, lack of system availability and additional work required on workbooks completed by the Council.

The housing benefit subsidy fee is subject to approval by PSAA.

### 3. Looking forward

The duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work is delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £16,226. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:  
<http://www.psaa.co.uk/audit-and-certification-fees/201617-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 director of finance before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

## 4. Summary of recommendations

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

<b>Recommendation</b>	<b>Priority</b>	<b>Agreed action and comment</b>	<b>Deadline</b>	<b>Responsible officer</b>
Housing benefits subsidy claim – Work to an agreed timetable to ensure all work is completed by the 30 <sup>th</sup> November 2017 deadline	High	Agreed	Sept 2017	Jude Green
Housing Benefit subsidy claim – Ensure workbooks are fully completed.	High	Agreed	Sept 2017	Jude Green



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