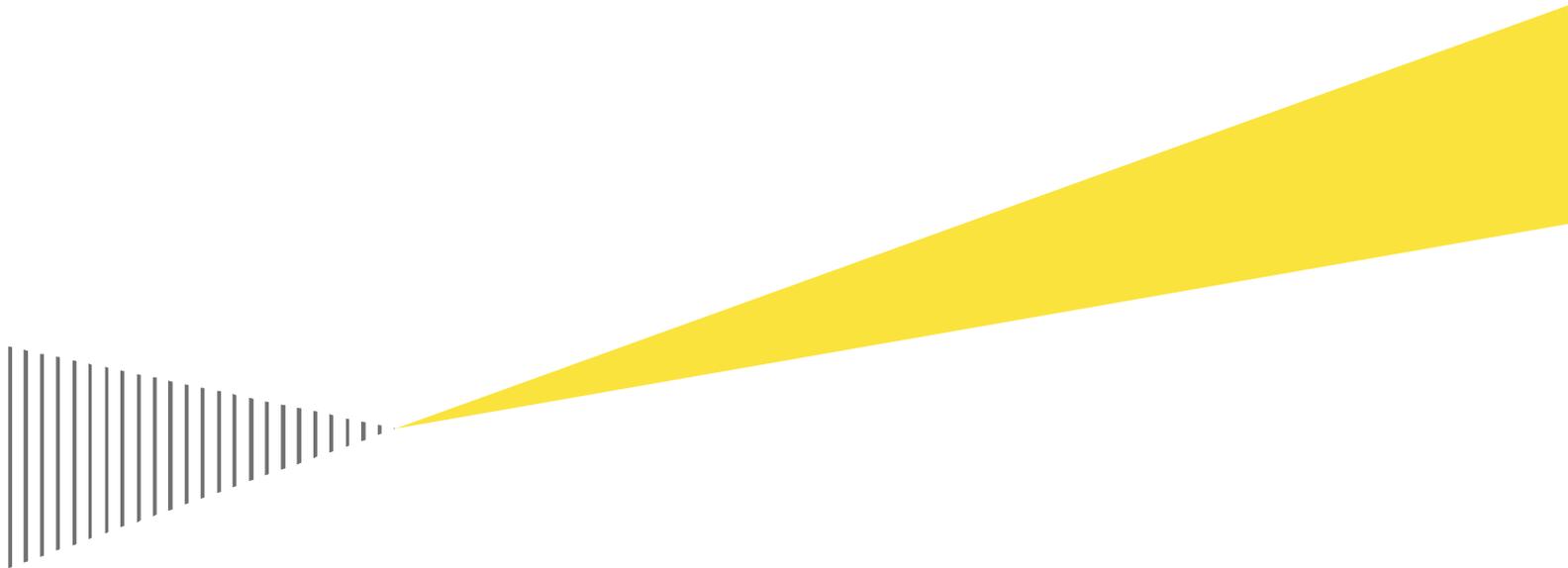


# Certification of claims and returns annual report 2016-17

Three Rivers District Council

February 2018

Ernst & Young LLP



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5 February 2018

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Dear Members

## Certification of claims and returns annual report 2016-17 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 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 £24,782,689. We certified the claim on 5 December after the submission deadline of 30 November due to delays in receiving the completed extended testing back from the Council to check. Usually, late submission would result in the DWP withholding 2017/18 subsidy grant for 2017/18, however, because the DWP received the claim on the 6<sup>th</sup> December, there was no impact on the timing of subsidy grant payments for 2017/18.

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.



The Council has improved arrangements based on the recommendations from last year, however, despite the positive trajectory the prior year recommendations remain valid. Details are included in section 1.

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 20 March Audit Committee.

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	£24,772,591
Amended/Not amended	Amended - subsidy increased by £9,098
Qualification letter	Yes
Fee - 2016-17	£18,622
Fee - 2015-16	£13,244

Recommendations from 2015-16	Findings in 2016-17
<ol style="list-style-type: none"> <li>1. Work to an agreed timetable to ensure all work is completed by the 30 November 2017 deadline.</li> <li>2. Ensure workbooks are fully completed.</li> </ol>	<ol style="list-style-type: none"> <li>1. The initial testing was provided later than agreed, but earlier than in the prior year. We therefore reiterate this recommendation.</li> <li>2. Some workbooks were not fully completed, therefore we reiterate this recommendation. We have also offered to provide training to benefits staff in 2017-18 to increase the pool of officers who are able to complete the workbooks, and to improve the quality of the completed workbooks.</li> </ol>

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 several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We are required to report 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:

1. Earned income was miscalculated resulting in both under and overpayment of benefit for one case in our initial testing, and four cases in our extended testing. These errors were extrapolated and resulted in an extrapolated error of £1,853.

We reported a similar error last year.

2. Benefit was underpaid due to the miscalculation of the weekly rent liability.
3. We identified one case where benefit had been underpaid due to failure to apply a family premium.

Each of these errors related to rent allowances (claimants in private rented accommodation).

We also completed additional testing and proposed amendments which have been addressed in the final claim form in the following areas:

1. Errors in the classification of expenditure for expenditure relating to claimants residing in temporary accommodation.
2. Amendments to the subsidy claimed for local schemes where insufficient evidence was available to support the amount claimed.
3. Errors in the calculation of earned income for claimants residing in temporary accommodation.
4. An overpayment due to the miscalculation of a childcare disregard for a claimant residing in temporary accommodation.

## 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 available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	18,622 <sup>1</sup>	16,226	13,244 <sup>1</sup>

### Note 1:

The actual fees for 2016/17 and 2015/16 include scale fee variations which are subject to approval by PSAA.

15-16: The variation of £4,928 was due to delays in receipt of extended testing, lack of system availability and additional work required on workbooks completed by the Council.

16-17: The variation of £2,396 was due to an increase in the level of extended testing compared to 2014-15 (the year that the indicative fee was based on), as well as delays in the receipt of extended testing.

### 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 £8,316. 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 Director of Finance 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 are in the process of discussing with officers a quotation for this work.

As we also were appointed by PSAA in December 2017 as your statutory auditor for 2018/19 onwards 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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