

# Certification of claims and returns annual report 2016-17

Adur District Council

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Ernst & Young LLP



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Joint Governance Committee  
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Dear Members

## **Certification of claims and returns annual report 2016-17 Adur District Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Adur 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 £19,734,923. 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, but these did not require amendments to the claim form.

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 Joint Governance Committee meeting in March.

Yours faithfully

Paul King  
Associate Partner  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£19,734,923
Amended/Not amended	Amended
Qualification letter	Yes
Fee – 2016-17	£12,230
Fee – 2015-16	£27,019

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 three samples of 20 cases for authorities with a Housing Revenue Account (HRA), covering HRA Rent Rebate, Non-HRA Rent Rebate and Rent Allowance cases, plus an undefined sample of Modified Scheme Cases, where each of these are applicable to the Council.

Auditors must 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.

A summary of the key issues found is shown below:

### **Rent Rebates (Non HRA)**

Testing of the initial sample identified no errors. However, in response to prior year errors, a 40+ sample of items was tested in order to identify errors in the assessment of claimant income. The population of Non-HRA Rent Rebate cases containing income was less than 40 items and therefore the full population was tested. As we tested the full population, the claim form was amended for the total error of £124.27.

### **Rent Rebates (HRA)**

Our initial sample did not identify any errors.

However, in the prior year errors were identified in the assessment of claimant income and assessment of non-dependent deductions. One 40+ test was completed to assess calculation of claimant income assessments, which identified 1 case where benefit was overpaid as a result of incorrect earnings calculations and tax credits not updated from available information. We calculated an extrapolated error of £2,293.68, which was reported in our Qualification Letter.

A further 40+ test was completed to assess non-dependant income calculations. This testing found no errors in the calculation of non-dependant income and therefore there is no impact on the claim form.

### **Rent Allowances**

Testing of the initial sample identified one case where incorrect calculation of self-employed earnings resulted in an understatement of prior year overpayment cell and one case where misclassification of overpayments resulted in an overstatement of the eligible overpayments cell.

As a result of the errors found within our initial testing, 40+ testing was performed on the effect of income errors on cell 94 and classification of overpayments in cell 114.

The 40+ sample for incorrect income calculations identified three cases where benefit had been overpaid and two cases where there was no impact on benefit from an incorrect assessment of income. In total this resulted in extrapolations of £3,814.80 relating to income errors, which was reported in our Qualification Letter.

The 40+ sample for classification of overpayments in cell 114 identified three cases where the overpayment had been misclassified, resulting in an extrapolated error of £265.52. This has been reported within our qualification letter.

No errors were identified on our initial sample in respect of the rent attribute and incorrect non-dependent deductions. However, we performed 40+ testing over these due to prior year errors identified. One error was identified from the rent 40+ where the incorrect figure was taken from the rent officer's referral resulting in an underpayment of benefit. Given the existence of only an underpayment no extrapolation has been performed, in line with certification guidance.

### **Extrapolations**

The total of the extrapolations and errors in the qualification letter had the effect of increasing current year LA error and administrative delay overpayments by £6,374, therefore indicating that the Council was overclaiming subsidy for the period.

Where extrapolations impact the LA error and administrative delay overpayments balance, the DWP usually require that the extrapolation amount is repaid to the DWP.

The DWP review the combined LA error and administrative delay overpayments balance, taking the subsidy claim form value and the value of our extrapolations and, where this breaches the upper threshold, the total LA error and administrative delay overpayments incurred during the year are required to be repaid to the DWP. The LA error and administrative delay overpayments upper threshold was £103,788 and the total of the amended claim form total (£52,432) and the extrapolation effect on the LA error and administrative delay overpayments (£6,374) is £58,806. This is below both the upper and lower threshold (£92,256), and therefore the Council is entitled to full relevant subsidy on this amount.

## 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](http://www.psaa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	12,230	12,230	27,019
<b>Total:</b>	12,230	12,230	27,019

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

### 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 £27,019. 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 Chief Finance Officer before seeking any such variation.

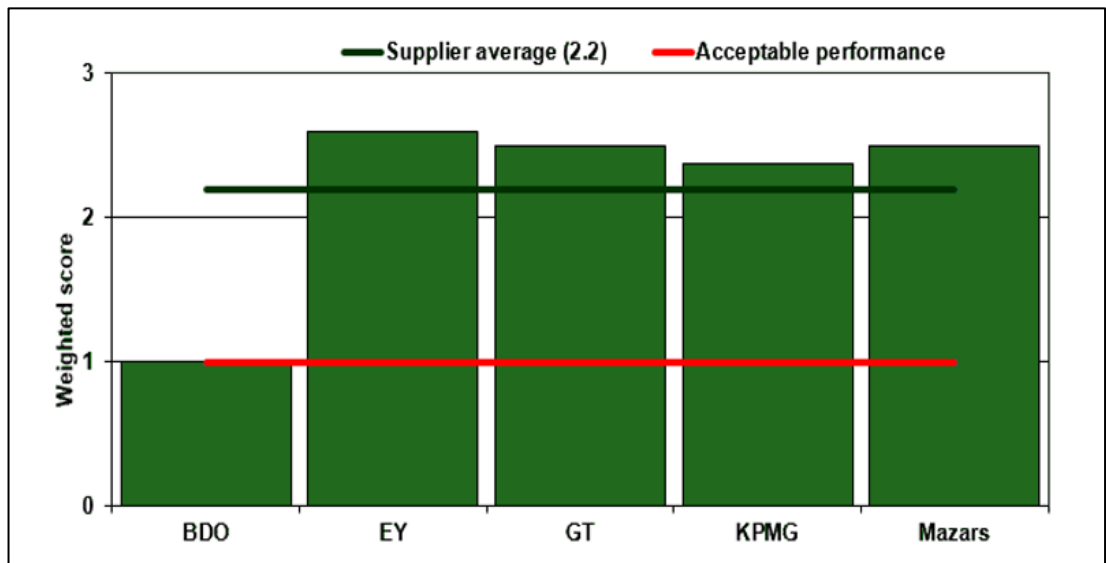
We note 2017/18 represents the first year that Adur District Council's Housing Benefit claim will be prepared in house, following withdrawal from the Census Partnership. We will work with officers to understand the data transfer process and ensure we have access to all records and evidence required for our audit procedures.

#### 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).





Looking forward

Additionally, as we have been 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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