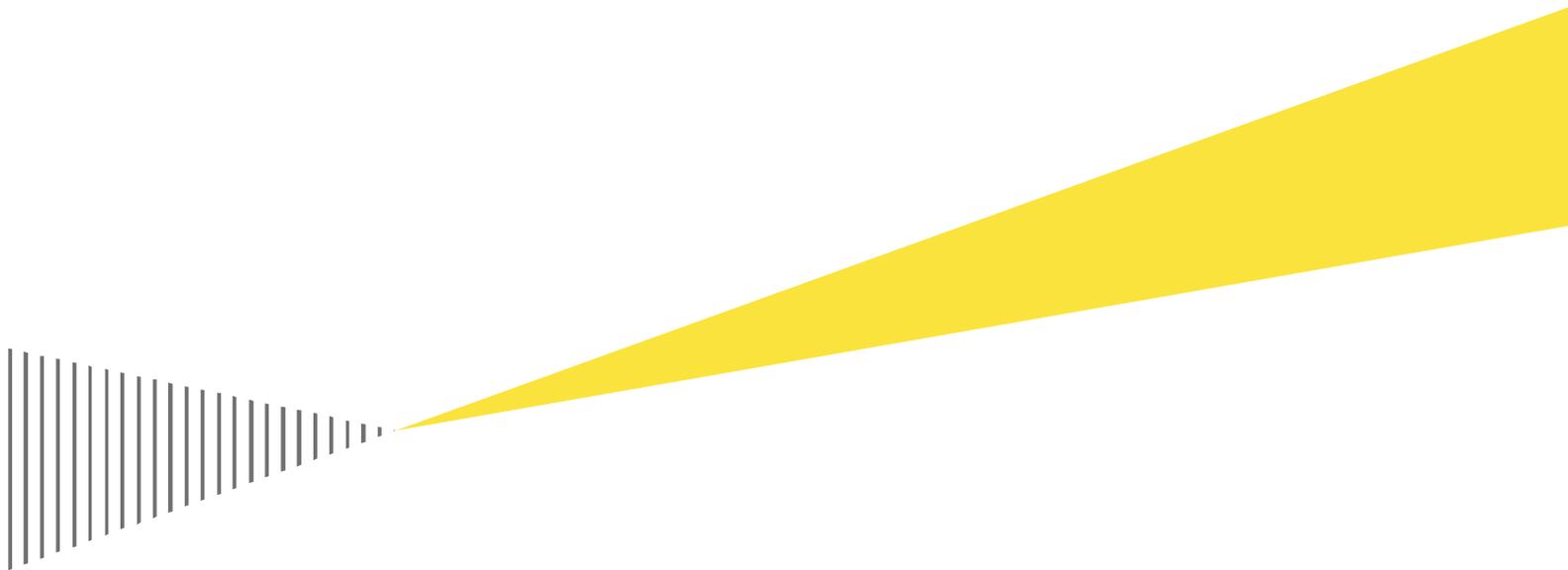


# Certification of claims and returns annual report 2016-17

Worthing Borough Council

April 2018

Ernst & Young LLP



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Joint Governance Committee  
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16 April 2018  
Ref: WBC/HB/2016-17

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Dear Members

## **Certification of claims and returns annual report 2016-17 Worthing Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Worthing Borough 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 £36,213,775. We did not meet the submission deadline due to a delay in the provision of information to support our testing, and disagreement over whether additional 40+ testing was required in respect of an error identified. Further details are recorded in section 1 below. We issued a qualification letter and details of the qualification matters are also 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 May.

Yours faithfully

Paul King  
Associate Partner  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£36,213,775
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2016-17	£10,716
Fee – 2015-16	£8,184

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 two samples of 20 cases for authorities without an Housing Revenue Account (HRA), covering 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 year's claims.

A summary of the key issues found is shown below:

### Rent Allowances

Testing of the initial sample identified one case where benefit was underpaid by £1,786 as a result of partner income in cell 121 (Eligible Prior Year Overpayments) being incorrectly calculated.

We raised and agreed this error with the Head of Revenues and Benefits on 9 October 2017. While the error was agreed, the Head of Revenues and Benefits did not agree that extended (40+) testing was required.

During the audit, responses to our queries and questions were not always timely. Agreement to carry out the 40+ testing was not reached until 15 January 2018 when PSAA confirmed that the error did require extended testing. The completed testing was provided for audit on 15 February 2018 and audit work completed in subsequent weeks, and the claim certified on 28 March 2018.

The extended testing identified two further errors in the calculation of partner income within cell 121:

- One case where benefit had been overpaid by £241. Partner income had been understated in the calculation of the overpayment in cell 121, meaning that the prior year overpayment was understated.
- One case where benefit had been underpaid by £33.12. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified in the initial and extended testing samples do not affect subsidy and therefore were not classified as errors for subsidy purposes.

The effect of the overpayment error is to understate prior year overpayments in the subsidy claim with the understatement impacting cell 120 (LA error and administrative delay overpayments), as the error arise from a mistake by the authority. This error was extrapolated across the total value for Cell 121 and produced an error of £6,156.

We also noted delays to responses to number of our other questions for which we needed a response to be able to complete our testing. These were raised as they identified in our testing in October and November 2017 and summarised upon completion of all other procedures at the end of our site visit in November. Responses to these questions were not provided until 23 February 2018.

### **Extrapolations**

The total of the extrapolations and errors in the qualification letter had the effect of increasing prior year LA error and administrative delay overpayments by £6,156, therefore indicating that the Council was over-claiming 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 £190,705. The total extrapolation effect on the LA error and administrative delay overpayments is £6,156. This is below both the upper and lower threshold (£169,516), 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.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	10,716*	6,716	8,184
<b>Total:</b>	10,716	6,716	8,184

*\*Actual fee for 2016-17 includes an additional £4,000 scale fee variation to account for the additional time and resources needed to reach agreement on the need for extended testing, resolving longstanding queries and incurring an additional site visit to review the 40+ work in February/March 2018. This additional fee is subject to agreement with the Council and also review and determination by PSAA*

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 £8,184. 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/>

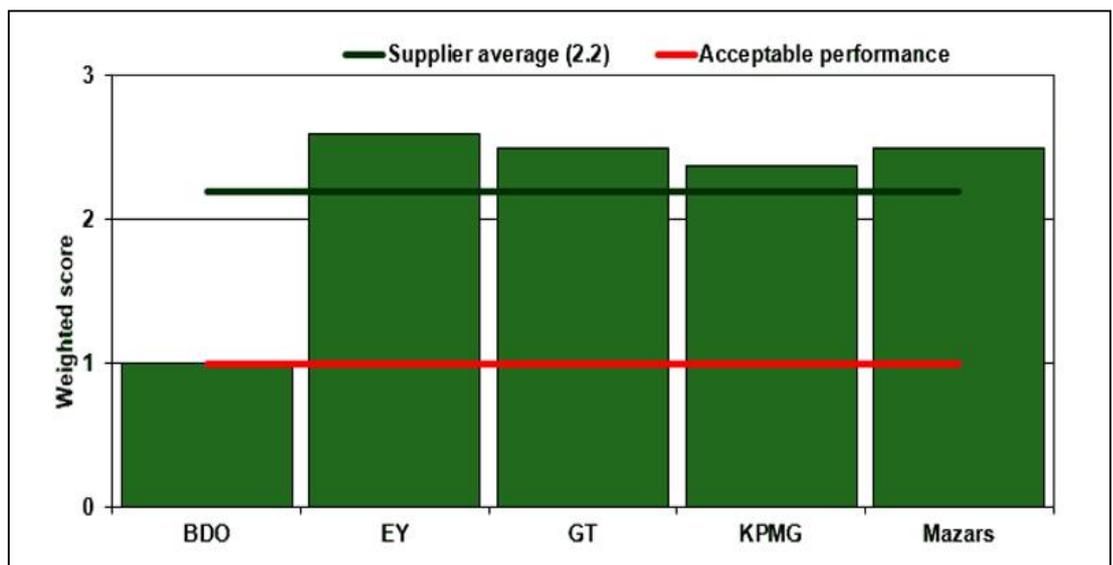
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Finance Officer before seeking any such variation.

#### 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 was published in March 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).



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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