

Certification of claims and returns annual report 2016-17

Aylesbury Vale District Council

8 January 2017

Ernst & Young LLP



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The Members of the Audit Committee
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Dear Members

Certification of claims and returns annual report 2016-17 Aylesbury Vale District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Aylesbury Vale District Council's 2016-17 Housing Benefits subsidy claim.

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 £44,887,809. We met the submission deadline. We issued a qualification letter, details of which are included in section 1. Our certification work found errors which the Council corrected. Amendments made by the Council increased the claim by £20,585 to £44,908,394, which is a marginal effect on the grant due.

With the history of the clawback in 2015-16, we note that the Council has implemented most of the recommendations from last year and has improved arrangements significantly.

Fees for certification and other returns work are summarised in section 3. 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 January 2018 Audit Committee.

We would like to thank the Council's officers, especially Housing Benefits staff, for their help. The certification process requires considerable input from them to be carried out efficiently and we are most grateful for their professionalism and assistance.

Yours faithfully

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£44,887,809
Amended/Not amended	Amended – subsidy increased by £20,585 to £44,908,394
Qualification letter	Yes
Fee – 2016-17	£TBC
Fee – 2015-16	£17,411
Recommendations from 2015-16	Significant improvement needed around self-employed earnings and backdating, including training of claims assessors, to ensure errors that resulted in the clawback are not repeated.
Findings in 2016-17	See findings below.

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 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:

Cell 11 Non-HRA

Testing of the initial sample identified:

- All three cases were incorrectly classified as self-contained/short term lease accommodation when they were actually board and lodging/non self-contained properties. This misidentification of accommodation type also yielded application of the wrong LHA rate and thus, the wrong subsidy cap split between cells 14/15 and 12/13.
- One case was also underpaid by the Local Authority as a result of incorrectly assessing the rent amount. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

The results from our testing are dealt with below.

Incorrect classification of accommodation

Given the small size of the population and the errors found, we have reviewed all cell 11 cases in full. We agreed cell amendments with the client in order to correct the claim.

Due to the above amendments, we can comfortably conclude that the Non-HRA cells are fairly stated.

Cell 94 Rent Allowance

In line with DWP guidance, where errors have been identified in the prior year then, unless the authority can prove that the error type would not be replicated in the current year, we proceed immediately to 40+ testing irrespective of the outcome of our initial testing. We completed this in respect of prior year errors identified on both Rent Allowance earnings and child care costs cases. We identified the following errors:

Earnings

We identified no errors in our initial sample of cases and 2 failures in our extended 40+ testing on a sub-population of 40 Rent Allowance cases with earnings. Both of these errors resulted in an overpayment of benefits as a result of the incorrect determination of earnings. We extrapolated this error type and reported this within the qualification letter.

Child care costs

We identified no errors in our initial sample of cases and 3 failures in our extended 40+ testing on a sub-population of Rent Allowance cases with Child Care Costs. 2 of these failures resulted in an overpayment of benefits as a result of the incorrect determination of Child Care Costs. We extrapolated this error type and reported this within the qualification letter.

Rent (service charges)

Our initial testing of Rent Allowances also identified an error in respect of rental service charges. Further investigation identified that this error type was isolated to one particular area of housing. A review of claims in the relevant housing area was performed and it was found that 10 out of 14 cases had the same error. The claim was adjusted for these errors.

Cell 225 Modified Schemes

Our testing of modified schemes identified 4 errors out of a small population of 14 cases in total. The claim was adjusted for these errors.

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	TBC*	12,450	17,411

We note that the 2015-16 actual fee includes the cost of extra work performed when evaluating the clawback by DWP. As the Council is below both thresholds this year, it is not expected to be repeat work.

* We are in the process of determining the extent of additional work and will liaise with officers in respect of any additional fee.

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 £17,411. 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.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

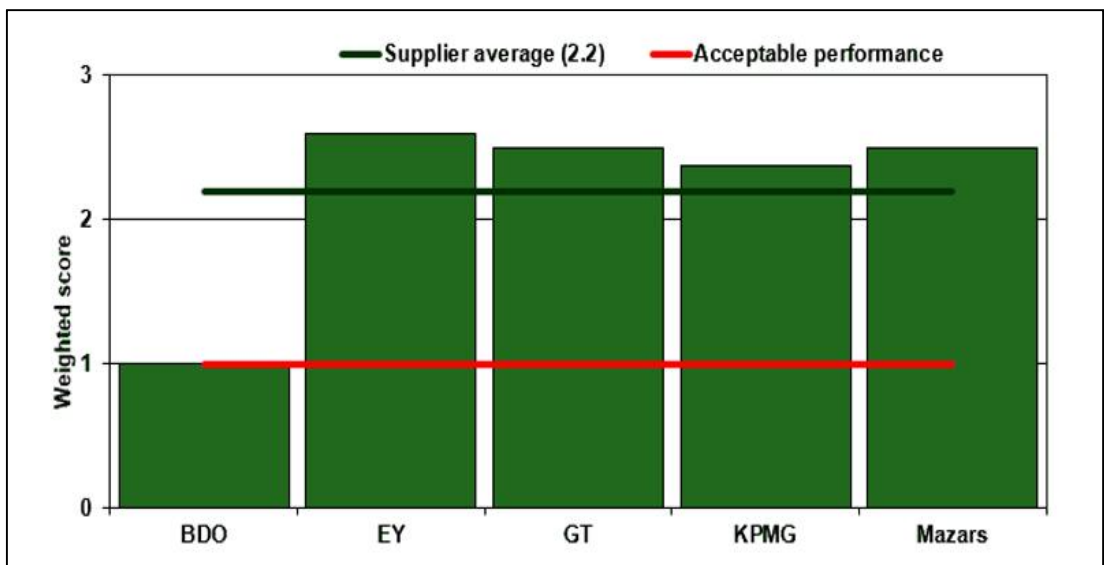
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Finance before seeking any such variation.

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 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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