

# Certification of claims and returns annual report 2016-17

Chiltern District Council

7 December 2017

Ernst & Young LLP



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Dear Members

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

We are pleased to report on our certification work on Chiltern District Council's 2016-17 claims, which we summarise here.

### **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 £19,048,489. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 1. It was not necessary to amend the claim.

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 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 Audit and Standards Committee on 17 January 2018.



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

Yours faithfully

**Andrew Brittain**  
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# 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£19,048,489
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016-17	£12,678
Fee – 2015-16	£9,240

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 our further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

## Testing of the initial sample and 40+ identified (2016-17):

- 1 rent allowance case where self-employed earnings was incorrectly calculated. However it did not have an impact on subsidy as it was fully covered by earnings disregard. Therefore we did not test another 40 cases.
- No issues were identified in our initial review of non-HRA cases
- No issues were identified in our initial review of modified schemes.

## Testing of the errors identified in 2015-16:

Initial testing did not identify any errors relating to earnings, or misclassification of local authority overpayments as eligible overpayments. However, there was a prior year qualification within this cell or related cells relating to these types of error in both 2014-15 and 2015-16, and the DWP requires us to complete 40+ testing in these cases.

- Testing an additional sample of 40 earnings cases identified 2 cases where the Council had overpaid benefit as a result of earned income errors; 3 cases where benefit was underpaid; and 1 where the error made no difference. The extrapolated impact of the error is £765, if the DWP decides to claw it back.
- 40+ testing for misclassified overpayments identified 7 cases where the Council had overpaid benefit as a result of an overpayment misclassification and 1 case where benefit was underpaid. The final extrapolated impact of the error is £27,456 if the DWP decides to claw it back. As the initial extrapolation resulted in the Council exceeding its threshold (which increases the loss to the Council), Council officers carried out more work to refine the population. We reviewed this work and were able to agree a lower figure which did not breach the threshold.

All these extrapolations were reported to the DWP in the qualification letter. There is no impact on the claim, but a total extrapolation of £28,221 which the DWP may decide to claw back from the Council.

## 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) 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	12,678	12,678	9,240

No changes to the 2016-17 fees are being proposed.

The fee level is set by referring to the actual fee for two years previously, adjusted for the 25% "discount" arising from the last of the savings made through the final Audit Commission regime negotiations.

### 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 £9,240. 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/>

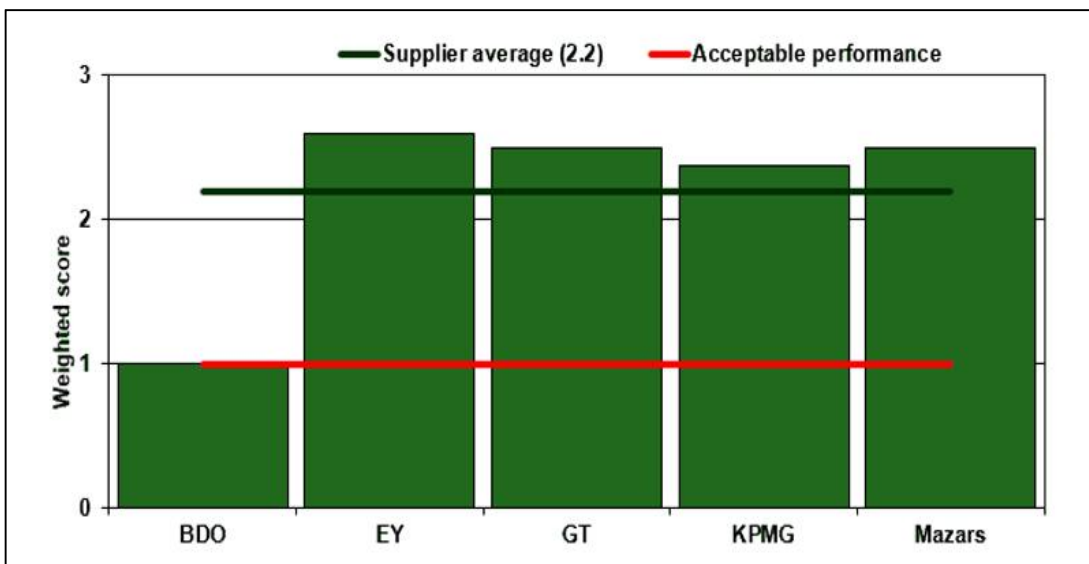
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Resourcing before seeking any such variation.

#### 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 currently in discussion with officers to 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 high quality service and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we scored highest of all providers, with an average score of 2.6 (out of 3).



As we also expect PSAA to appoint us your statutory auditor in December 2017, 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.

Looking forward

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