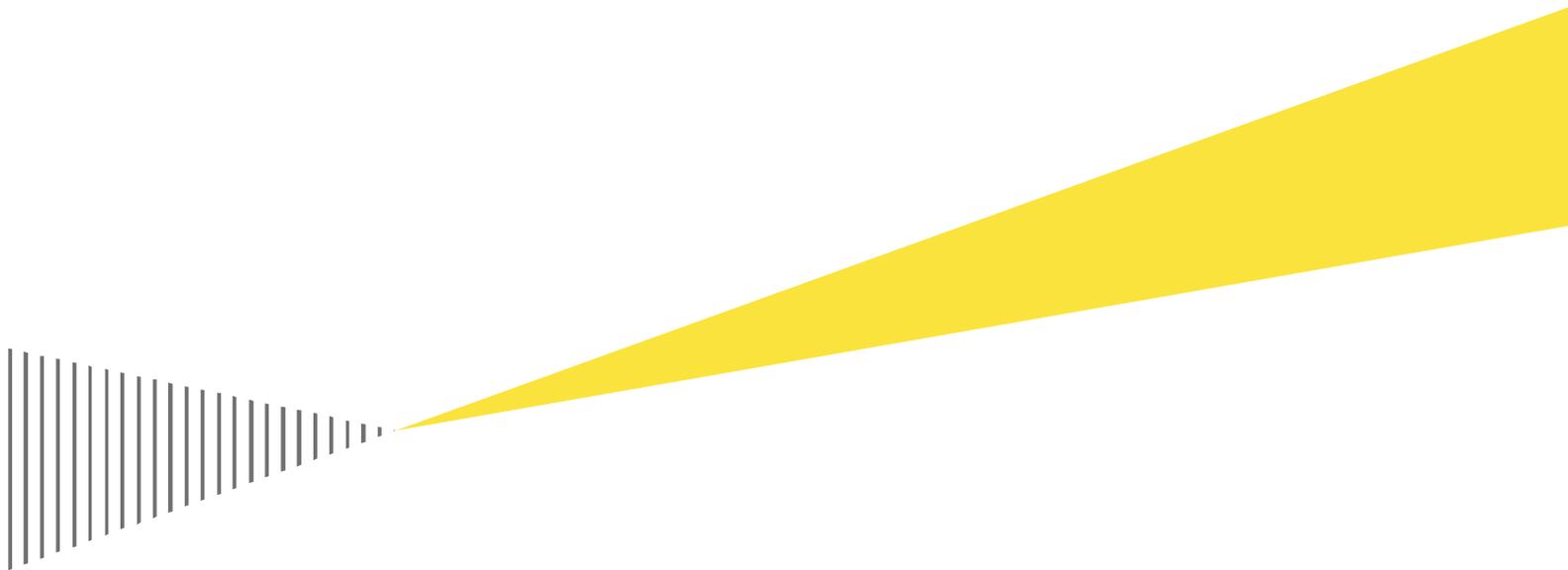


Certification of claims and returns annual report 2016-17

South Bucks District Council

11 December 2017

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2016-17 South Bucks District Council

We are pleased to report on our certification work on South Bucks 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 £15,409,142. 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 which the Council corrected. The amendments had a marginal effect on the grant due: it increased by £51.

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).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 18 January 2018.



We would like to thank the Council's officers and Northgate 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 assistance.

Yours faithfully

Andrew Brittain
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£15,409,142
Amended/Not amended	Amended – subsidy increased by £51
Qualification letter	Yes
Fee – 2016-17	£24,985
Fee – 2015-16	£19,280

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:

Non-HRA rebate cases

- 2 cases where benefit was underpaid because earned income was miscalculated. As the error could have led to overpayment, all earned income cases were checked.
- 1 case where benefit was overpaid because tax credits had not been applied correctly.
- 2 cases where benefits were overpaid because of incorrect treatment of a service charge.

The claim form was amended for the first two errors, and an extrapolation was done for the third. The extrapolated impact of the error is £329, if the DWP decides to claw it back.

Rent allowance cases

- 1 case where benefit was overpaid because of incorrect treatment of quarterly income. All other relevant cases were checked and the claim was amended.
- 1 case where benefit was overpaid because of Local Housing Allowance (LHA) miscalculation. All other relevant cases were checked and the claim was amended.
- 1 case where the end date of the claim was incorrect, and 1 case of Standard Rate of Retirement Pension (SRP) underpayment. As these errors could only result in underpayment, we reported this in the qualification letter but did no further work.
- 2 cases (1 overpayment, 1 underpayment) because of incorrect assessment of earned income. The overpayment was £0.05. We therefore had to carry out 40+ testing: no

further errors came to light. The extrapolated impact of the error is £1, if the DWP decides to claw it back.

Modified schemes:

- We identified no issues in our review of modified schemes.

Testing of errors identified in 2015-16:

- Initial testing did not identify any errors relating to self-employed earnings. However, there was a prior year qualification within this cell or related cells relating to this type of error, and the DWP requires us to complete 40+ testing in these cases. We found 6 errors, but none had an impact on subsidy paid. We reported this in the qualification letter.
- Initial testing did not identify any errors relating to failing to apply the appropriate Social Sector Size Criteria (SSSC) rules: this is also known as the “spare bedroom allowance”. However, there was a prior year qualification within this cell or related cells relating to this type of error, and the DWP requires us to complete 40+ testing in these cases. No further failures were identified.
- Initial testing found 2 errors in calculation of benefit relating to monthly rent, an area which we had already identified would require 40+ testing from our findings in previous years. The total error found was £258.74, and the extrapolated impact is £402, if the DWP decides to claw it back.

All these amendments and extrapolations were reported to the DWP in the qualification letter. The net impact on the claim was to increase it by £51, with a total extrapolation of £732 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.psa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	24,985	20,895	19,280

We propose an extra fee of £4,090 this year to cover the increase in 40+ testing required to comply with DWP requirements.

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 £19,280. 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/>

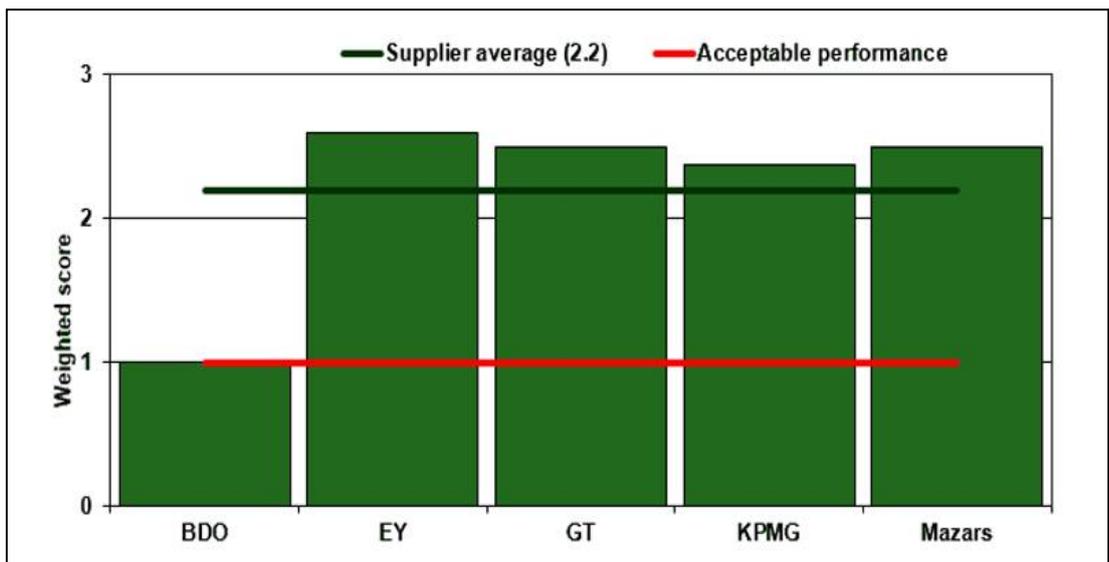
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Resourcing before seeking any such variation.

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.

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.

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