

Certification of claims and returns annual report 2016-17

Wycombe District Council

6 December 2017

Ernst & Young LLP



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Audit Committee
Wycombe District Council
District Council Offices
Queen Victoria Road
High Wycombe
HP11 1BB

Direct line: **07769 932604**
Email: MGrindley@uk.ey.com

Dear Members

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

We are pleased to report on our certification work on Wycombe 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 main findings.

We checked and certified the housing benefits subsidy claim with a total value of £46,161,130. 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 no effect on the grant due.

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 Audit Committee on 25 January 2018.



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

Maria Grindley
Associate Partner
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£46,161,130
Amended/Not amended	Amended – no impact
Qualification letter	Yes
Fee – 2016-17	£29,145
Fee – 2015-16	£16,833

Recommendations from 2015-16	None
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Findings in 2016-17

Non-HRA rebate cases:

1 case where eligible services had been omitted. As this error could only result in underpayments, no further work was carried out.

1 case with overstatement of eligible rent. However the Council had already corrected this for 2017/18.

1 case where ESA benefit had been overpaid by 2 days. We were unable to do further specific work on this as the system does not allow interrogation for this parameter: however we found no other cases in our other further testing.

2 cases where benefit was overpaid as a result of miscalculating earnings. The Council carried out a 100% check of all other relevant cases and amended the claim for them.

Rent allowance cases:

We found no errors in our initial testing.

However the Department for Work and Pensions (DWP) require us to test in areas where there were errors in the previous year. We therefore selected additional samples of 40 in the following areas: miscalculation of earned income, self-employed earnings, occupational pensions, and non-dependants, and misclassification of errors.

We used a smaller sample of 20, as allowed by DWP, for tax credits: this was because testing in 2015-16 was done on the basis of 2014-15 findings, and there were no errors of this type in the initial 2015-16 testing.

Earnings, self-employed income, occupational pension and eligible overpayment misclassification also gave rise to errors in 2014-15, as well as in 2015-16.

Modified schemes:

We identified no issues in this area and there was no impact on the claim.

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 will decide 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:

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

Incorrect employed earnings calculation

Initial testing identified no errors, but there was a prior year qualification for this type of error, so the Council was required to complete testing in line with DWP requirements.

Testing the additional sample of 40 cases identified:

- 8 cases where the Council had overpaid benefit as a result of incorrectly assessing and inputting earned income.
- 4 cases where the Council underpaid benefit as a result of incorrectly assessing earned income.

Incorrect assessment of occupational pension

Initial testing identified no errors, but there was a prior year qualification for this type of error, so the Council was required to complete testing in line with DWP requirements.

Testing the additional sample of 40 cases identified:

- 5 cases where the Council had overpaid benefit as a result of incorrectly inputting/failing to update increased occupational pension amounts
- 1 case where the Council had underpaid benefit because of a duplicated deduction of pension where the applicant had changed pension provider.

Incorrect assessment of self-employed earnings

Initial testing identified no errors, but there was a prior year qualification for this type of error, so the Council was required to complete testing in line with DWP requirements.

Testing the additional sample of 40 cases identified:

- 4 cases where the Council had overpaid benefit as a result of incorrectly assessing/inputting self-employed earnings
- 4 cases where the Council had underpaid benefit as a result of incorrectly assessing/inputting self-employed earnings

These errors were also found in 2014-15.

Incorrect classification of eligible overpayments

Initial testing identified no errors, but there was a prior year qualification in both 2015-16 and 2014-15 for this type of error, so the Council was required to complete testing in line with DWP requirements.

Testing the additional sample of 40 cases identified one case where benefit was underpaid.

Incorrect assessment of non-dependants

Initial testing identified no errors, but there was a prior year qualification for this type of error, so the Council was required to complete testing in line with DWP requirements.

Testing the additional sample of 40 cases identified:

- 1 case where the Council had overpaid benefit as a result of incorrectly assessing non-dependants
- 1 case where the Council had underpaid benefit as a result of incorrectly assessing non-dependants.

Upper threshold for total local Council error and administrative delay overpayments

The Council currently receives 100% subsidy for “Local Council error and administrative delay” overpayments (total value of £197,536 on the 2016-17 claim). If the DWP choose to apply the extrapolations arising from the errors identified above (total extrapolated value £56,174), the Council would breach the upper threshold set for total “local Council error and administrative delay” overpayments of £241,307. In this event, the Council loses all subsidy for this type of overpayment, i.e. the amount of subsidy previously received would be repayable to the DWP.

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 2015 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	29,145	29,145	16,833

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. The base set for 2016-17 is therefore based on the fee for 2014-15, when we charged an additional fee for extra work required.

We do not need to charge extra fee in the current year

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 £16,833. 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/>

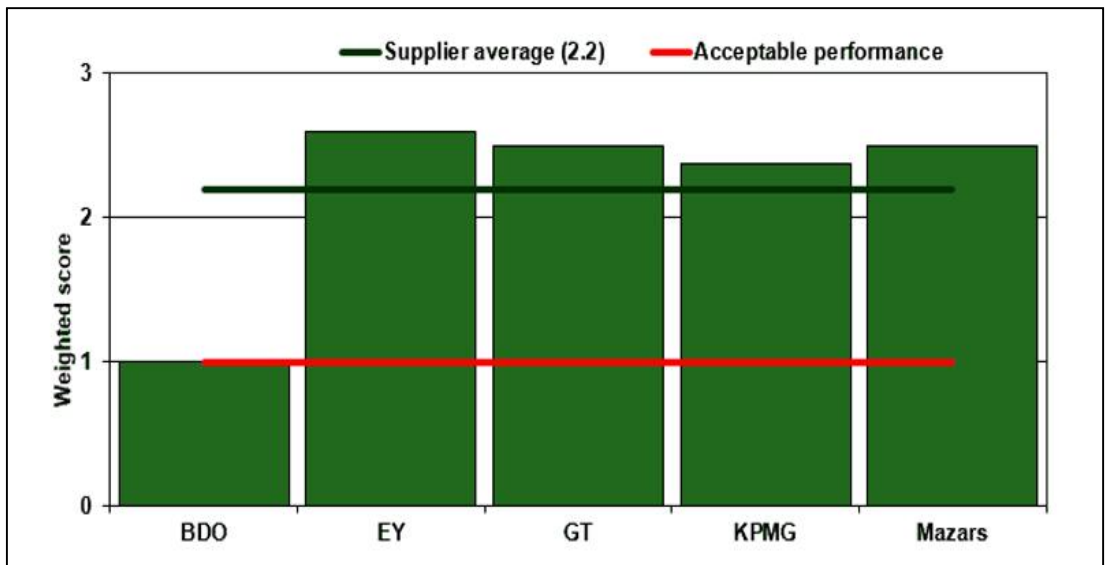
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance and Commercial before seeking any such variation.

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.

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 the 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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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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