

# Certification of claims and returns annual report 2016-17

South Cambridgeshire District Council

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Ernst & Young LLP



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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on South Cambridgeshire District Council's 2016-17 claims and returns.

### **Scope of work**

The Council administers housing benefits on behalf of the Department of Work and Pensions (DWP) and claims subsidy on the expenditure it incurs. DWP requires appropriately qualified auditors to certify the claim for subsidy the Council makes.

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 DWP and did not undertake an audit of the claim.

In addition to this, the Council engages us to act as reporting accountants in relation to the pooling of housing capital receipts return outside the PSAA's regime. This work is yet to be undertaken.

### **Summary**

Section 1 of this report outlines the results of our work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £27,075,734. We met the submission deadline issuing a qualification letter on 28 November 2017. Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments increased subsidy due to the Council of £135,624.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by PSAA in March 2016 and are available on its 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 next Audit and Corporate Governance Committee.



Yours faithfully

**Suresh Patel**  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£ 26,940,110
Amended/Not amended	Amended – subsidy increased by £135,624
Qualification letter	Yes
Fee – 2016-17	£13,793
Fee – 2015-16	£9,190

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 similar to prior years.

Our extended and other testing identified errors which the Council amended. They had an impact on the claim increasing subsidy by £135,624. The majority of this impact was due to a typographic error made by the Council in one cell which had not been picked up on review.

We 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:

**HRA Rent Rebates: expenditure misclassified** - Testing of the initial sample identified two cases where expenditure had been identified as an overpayment due to LA error but classified in the claim as ordinary entitlement. Testing of an additional 40 cases did not identify any further errors. We reported an extrapolated overpayment of £21,296.

**HRA Rent Rebates: overpayment misclassified** - Testing of the initial sample identified one case where overpayment due to claimant error had been incorrectly classified as LA error. Testing of an additional 40 cases identified two further errors. We reported an extrapolated overpayment of £4,026.

**HRA Rent Rebates: eligible rent** - Testing of the initial sample identified one cases where benefit was overpaid due to incorrect eligible rent being used in the benefit calculation. Testing of an additional 40 cases did not identify any further errors. We reported an extrapolated overpayment of £51.

## 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.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
<b>Certification Fees</b>			
Housing benefits subsidy claim	13,793	13,793	9,190
<b>Other Assurance Work</b>			
Pooling of Housing Capital Receipts Return	tbc	3,500	3,300

The indicative certification fee for 2016/17 is based on the actual fee for 2014/15 with a 25% reduction in scale fee. Whilst the Council undertook all the initial testing the level of error identified in 2016/17 was higher than that identified in 2014/15. We do not therefore propose to submit a scale fee variation to PSAA for the 2016/17 certification work.

Our fee in respect of pooling of housing capital receipts return is only indicative at this stage as the work is yet to commence.

### 3. Looking forward

#### 2017/18

The Council's indicative certification fee for 2017/18 is £24,043. 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/>

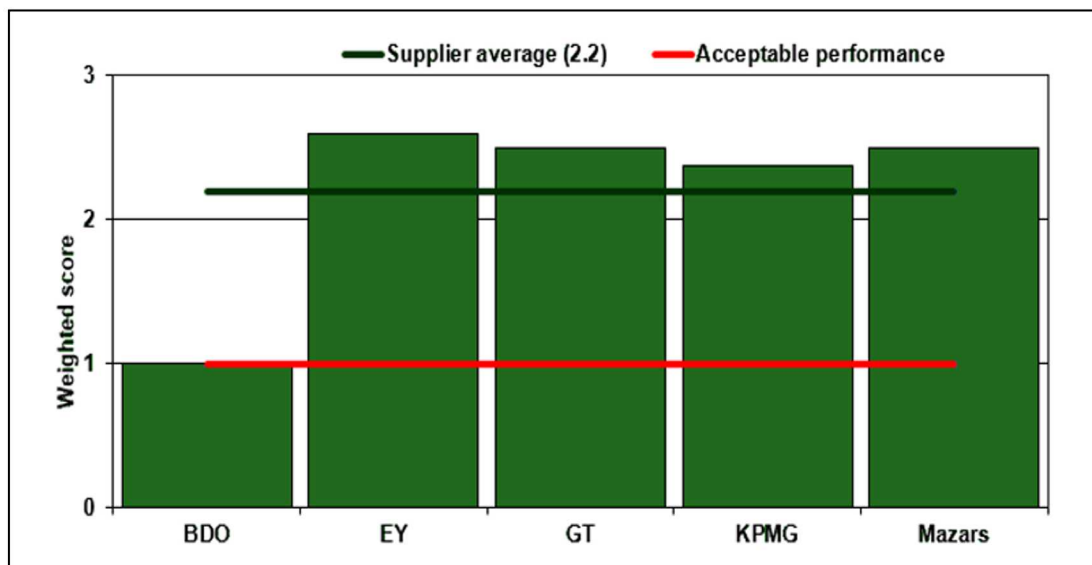
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Finance Director before seeking any such variation.

#### 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 have now been formally appointed by PSAA 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.

Looking forward

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