

Certification of claims and returns annual report 2016-17

South Derbyshire District Council

21 March 2018

Ernst & Young LLP



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The Members of the Audit-sub Committee
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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on South Derbyshire District Council's 2016-17 Housing Benefit claim and Pooling of Housing Receipts return.

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.

In addition to this, we also acted as reporting accountants in relation to South Derbyshire District Council's Pooling of Housing Receipts return which is outside the PSAA's regime.

Summary

Housing Benefits

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We have audited and certified the housing benefits subsidy claim with a total value of £17,704k. We met the submission deadline of 30 November 2017. We issued a qualification letter to the Department of Works and Pensions (DWP) on 27 November 2017 the details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a minor effect on the grant due.

The certification work identified a number of error types which had occurred in previous years together with some issues which had not previously arisen. Further details are set out in section 1.

Pooling of Housing Capital Receipts

We also completed the audit of the Pooling of Housing Receipts Return, with total receipts of £1,408,845 for 2016/17 meeting the revised submission deadline of 31 January 2018. There was only one amendment which the Council corrected. There are no other matters to bring to your attention. Further details of this work are included in section 2.

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-sub Committee on 14 February 2018.

Yours faithfully

Name

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£17,704,900
Amended	Amended – subsidy reduced by £281
Qualification letter	Yes
Certification fees to the Council	
Fee – 2016-17	£13,590
Fee – 2015-16	£16,313
Further details are included in section 3.	

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 a sample of 40+ cases where for each error type identified in the audit of the previous years claim (2015/16) and for the current year (2016/17) a sample of 20 cases for each type of benefit.

The results of our testing of cases found that some error types from the 2015/16 audit had reoccurred in 2016/17, together with some new error types. However, it should be noted that the volume of errors found has decreased from 2015/16. The qualification letter for 2015/16, contained seven areas of benefit which required an extrapolation. This compared to only four in 2016/17 and the overall level of errors has reduced year on year by 10%. This is a positive outcome and is attributed to the additional training and quality assurance checks undertaken by the Benefits team.

To illustrate the ongoing improvements, we have provided below two examples arising from the 2016/17 audit.

1. In 2015/16 we tested claims which identified that the benefit entitlement contained an incorrect rental value. In 2016/17, from the cases tested, no claims were found to contain this type of error.
2. The audited identified a case where the claim was overpaid as the assessment included a deduction for a dependent member of the household who was should not have been classed as a child. This error was identified in June 2017, and the Benefits team responded immediately to introduce a process to issue letters to claimants in advance of dependants reaching their 16th and 18th birthday. This was to ensure that the claim assessment in the HB system is correct. Through the additional testing it was noted that some claims had been suspended or even cancelled where there was no response from the claimant

Furthermore, we have started to plan the audit of the 2017/18 claim and noted that Benefits team will continue to undertake further checks in a number of areas.

We have reported all underpayments, uncertainties and the extrapolated value of other errors in a qualification letter to the DWP. The DWP will determine whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

2. Other assurance work

During 2016-17 we also acted as reporting accountants in relation to the Pooling of Housing Receipts Return.

This work has been undertaken outside the PSAA regime. The fees for this are included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

We identified one error relating to the calculation of attributable debt. The calculation is based on the financial year of the sale of Council properties. We found that this had been set to 2015/16 rather than 2016/17. The impact was to understate the return by £1,001, and the Council made the required amended.

There are no other matters to bring to your attention.

3. 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).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	19,271*	13,590	16,313
Pooling of Housing capital receipts	**	1,600	2,500

* We have proposed a variation of £5,681 to the fee as a result of undertaking additional testing required to complete the certification of the Housing Benefit claim. All fee variations are subject to approval by PSAA.

** the final fee is subject to final agreement.

4. 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 £16,313. 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/>

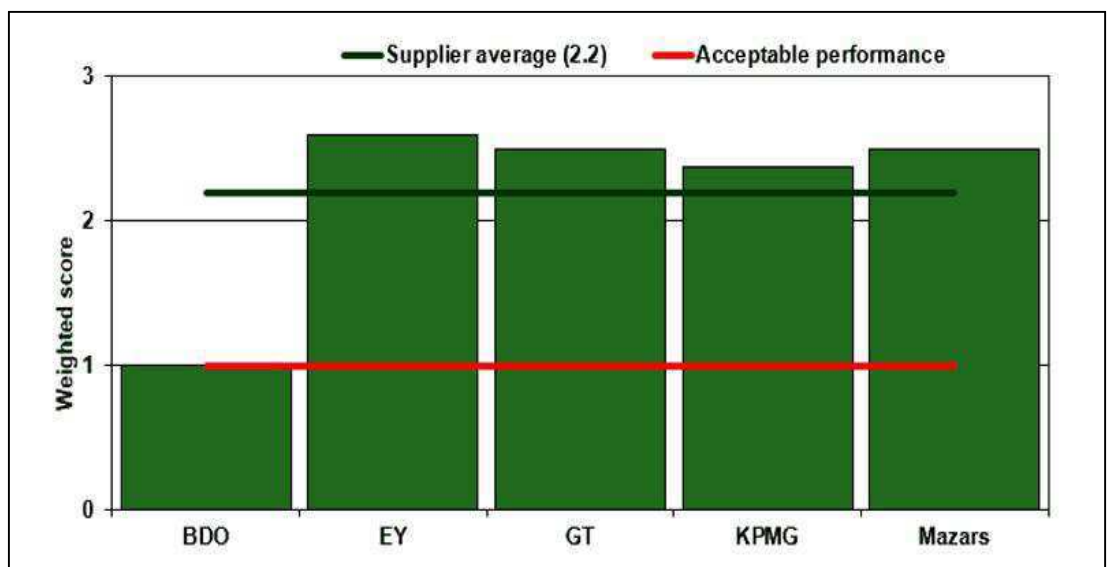
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Strategic Director (Corporate Resources) before seeking any such variation.

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 in the near future.

We would be pleased to undertake this work for you, and are finalising a 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 were 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.

5. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Audit Finding	Recommendation	Management Comment	Priority	Implementation Date
Common errors in the claim				
<ul style="list-style-type: none"> Income miscalculation ~ earnings and state retirement pension Incorrect claim start dates Misclassifications of overpayments 	The Council should continue to review the adequacy of the current quality assurance arrangements and training and consider increasing the number of checks performed to ensure they are focussed on the specific risk areas.	Both quality assurance checks and regular training will continue on an ongoing basis.	H	Ongoing
Specific errors in the claim				
Annual uprating of system parameters Although the parameters had been checked and reviewed as accurate, our review of the accuracy of the system parameters to the uprating circular identified one error which resulted of underpayment of benefit.	Re-review the update of the 2017/18 system parameters previously undertaken in February 2017 and ensure any errors are corrected in advance of 31/3/18. This should include an updated sign-off by the Revenues and Benefits manager.	Arrangements have been reviewed which include further independent checks prior to final sign-off	M	30/4/18
Two homes payments error This issue was identified in 2015/16 and has re-occurred and results in an unnecessary overpayment and reduction in rent allowance subsidy in six cases.	Produce system reports on a frequent basis to identify cases of this nature and take corrective action in advance of producing the 2017/18 subsidy claim.	Claims where the change of address flag has been added to date have been checked. We will continue periodically review claims to minimize overpayments being created.	M	31/3/18
Modified schemes Testing in both 2015/16 and 2016/17 identified misclassification errors.	Review 100% cases in advance of finalizing the subsidy claim.	There are only seven cases in 2017/18 and have all been checked.	M	31/3/18
Status of dependents Testing of a rent allowance case identified a dependent deduction was made for a member of the household who was no longer classed as a child.	The Council has already taken action from June 2017 through letters sent to claimants in advance of the dependent turning 16 and 18.	This check forms part of our ongoing arrangements.	M	ongoing

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