



**Certification of  
claims and returns  
annual report  
2017-18**

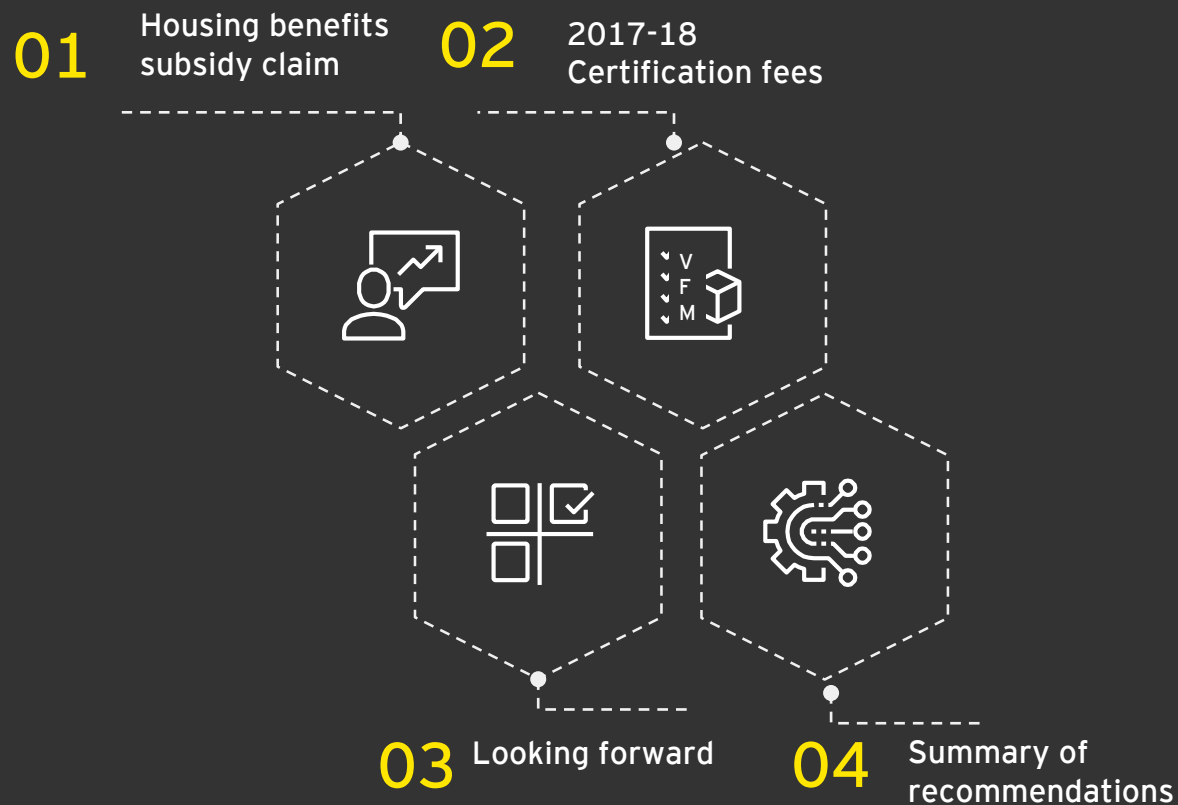
January 2019



**EY**

Building a better  
working world

# Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Stevenage Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Stevenage Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Stevenage Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Housing benefits subsidy claim



## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,072,189
Amended/Not amended	Amended - subsidy reduced by £99
Qualification letter	Yes
Fee - 2017-18	£16,145 (this is subject to agreement by PSAA)
Fee - 2016-17	£10,344

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 reporting accountants 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 certification of previous years claims. Errors were found in the initial testing and extended testing was required in several areas.

The extended testing identified errors which the Council amended. They 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 out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- ▶ There were 4 cases in the initial sample of rent allowance cases where the value used for earned income was incorrect resulting in under/overpayments to claimants. There were a further 6 cases with errors found in the extended testing. Our calculation on an extrapolated basis of the overpayment errors over the rent allowance population for cases with earned income (£2.7m) was £26,188. Underpayment errors are not extrapolated since the Council has, by definition, not paid these amounts out and therefore there is no impact on subsidy.
- ▶ An extended sample was tested for rent allowance cases with self employed income as there had been errors found in the 2016-17 certification work. Whilst there were no errors in the initial sample for 2017-18 the extended testing found 5 cases where benefit was under/overpaid due to the incorrect calculation of self employed earnings. For a further 2 cases there were errors found but these did not affect the level of benefit paid to the claimant. Our extrapolation of the overpayment errors was £416.
- ▶ For rent rebate cases with self employed income one error was found in the initial sample. Whilst this did not result in an under/overpayment to the claimant errors in income calculation can impact the benefit awarded and therefore an extended sample was tested. This found 4 cases where benefit had been over/underpaid and 11 other cases where although the calculation of the income was incorrect it did not affect the benefit awarded. The overpayment errors when extrapolated for rent rebate cases was £2,915.
- ▶ An error was found in the initial testing for rent allowances for extended payments. The shared service team tested all extended payments and the subsidy claimed was reduced in respect of this by £99.

An error was also found in the calculation of ineligible charges for rent allowance cases in the initial sample and all the cases with ineligible charges were tested. This found that the total error was below £1 where benefit had been overpaid and therefore no amendment was made to the claim in respect of this. The testing did identify that claimants had been underpaid by £259 but as there is no eligibility for subsidy where the expenditure has not been incurred there is no adjustment for this.





02

2017-18 certification fees





## 2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£16,145	£10,911	£10,344

The indicative fee for 2017-18 was based on the outturn fee for the certification of the 2015-16 housing benefit return. In that year there were two extended samples. The initial testing in 2015-16 was undertaken by the EY team. In 2017-18 five extended samples were required on earned income (rent allowances), self employed income (both rent allowance and rent rebates), extended payments (rent allowances) and ineligible charges (rent allowances). The initial sample and the extended sample testing were both undertaken by the shared service. We have taken into account the input from the shared service team in undertaking the testing but have had to increase the fee overall due to the extended testing which involves the EY team in reviewing more cases than in 2016-17, calculating extrapolated errors and drafting a qualification letter. The fee set out above for 2017-18 is subject to agreement by the Chief Finance Officer and PSAA.



03

## Looking forward



## Looking forward

---

### **2018/19 and beyond**

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we would be only too pleased to undertake this work for you and realise the synergies and efficiencies that can be achieved from undertaking both the audit and the grant work and as invited have submitted a quote for the certification of the housing benefit return.





04

## Summary of recommendations



## Summary of recommendations

---

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Consideration should be given to providing further training for staff on the assessment of self employed income as this continues to be an area where errors are being made.	Medium	A refresher session for relevant staff on self employed cases will be run	31 March 2019	Head of Revenues and Benefits Service

---

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2017 EYGM Limited.  
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](http://ey.com)**