

# Certification of claims and returns annual report 2016-17

Stevenage Borough Council

15 December 2017

Ernst & Young LLP



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15 December 2017  
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Dear Members

## **Certification of claims and returns annual report 2016-17 Stevenage Borough Council**

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

### **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 £33.3m. We submitted the certified return on 15 November 2017 well ahead of the submission deadline of 30 November. We issued a qualification letter, details of the qualification matters are included in section 1.

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

We welcome the opportunity to discuss the contents of this report with you at the 5 February 2018 Audit Committee.

Yours faithfully

**Neil Harris**  
Associate Partner  
Ernst & Young LLP

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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£33,259,850
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016-17	£12,857 (potentially will reduce by £2,513 subject to the agreement of PSAA Ltd, please refer to section 2)
Fee – 2015-16	£10,911

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.

We have reported underpayments, 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. The main issue we reported was:

The testing of the initial sample of 20 rent allowance cases identified:

- 1 case (value of error £1) where the Authority had overpaid benefit by £1 as a result of miscalculating the claimant's self employed weekly income.

Due to the error found in the initial sample of 20 we reviewed a further 40 cases where the system indicated the claimant had self employed earnings. This testing identified a further 3 cases where income was incorrectly assessed:

- 2 cases where claimants were underpaid (as there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified did not affect subsidy and were not therefore classified as an error for subsidy purposes)
- 1 case where the error had no impact on benefit entitlement (again no impact on subsidy).

The final result from our testing when the results were extrapolated across the rest of the rent allowance expenditure was a potential overstatement of the expenditure of £42.

In year, we were requested to review evidence provided by the Authority in support of correspondence with the Department for Work and Pensions in respect of the 2015-16 housing benefit claim. We had reported in our qualification letter on the 2015-16 claim that there was a lack of evidence for a reduction in income received from abroad by a claimant. This suggested that the claimant had potentially been overpaid. The results of this testing when applied to the total of rent allowance expenditure suggested a potential error value of £66,444. The Council subsequently obtained evidence from the overseas source which indicated that the income was charitable in nature and that therefore it should not have been included in the assessment of the claimant's income, this meant that the claimant had in effect been underpaid. We reissued our qualification letter with the extrapolation of £66,444 removed.

## 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 £
Housing benefits subsidy claim	10,344	12,857	10,911

The level of fee for the certification of the housing benefits return can fluctuate year on year depending on the level of errors identified during initial testing. The 2016/17 fee was based on the outturn fee for 2014-15.

We agreed with the Council's Assistant Director (Finance and Estates)(Chief Financial Officer) that if the Council's staff undertook the initial testing of 20 cases for rent allowance and rent rebates that we would seek to reduce the fee by 20% to reflect the lower level of work required from the EY team. This proposed reduction has to be agreed by PSAA (they also have to agree where there have been proposed increases in fees). We have yet to receive agreement to the reduction of £2,513 which is showing in the above table as the difference between the indicative and annual fee.

### 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 £10,911. 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/>

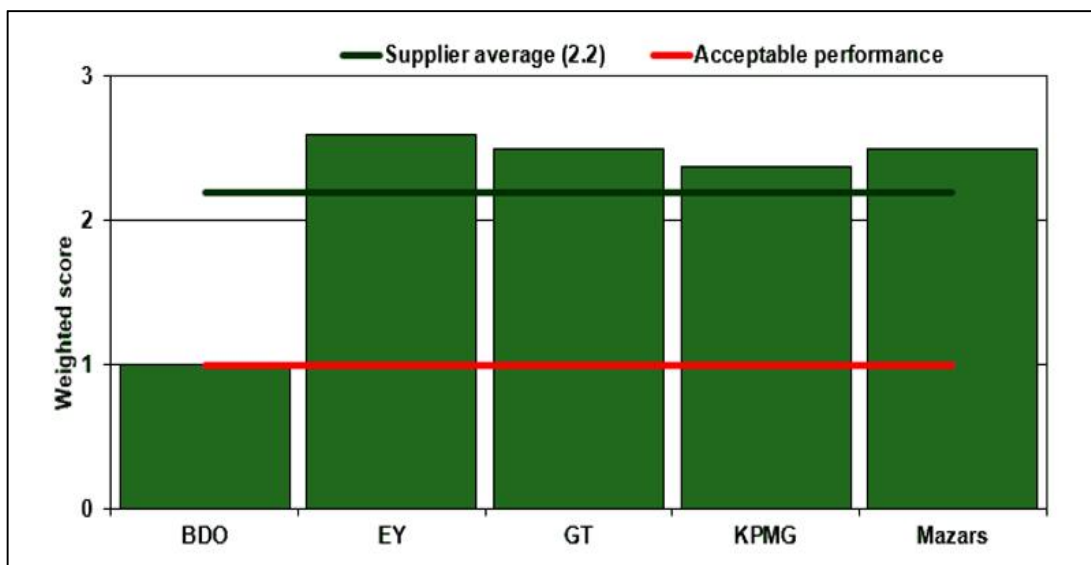
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Financial Officer before seeking any such variation.

#### 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 also expect to be 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.

Looking forward

## Ernst & Young LLP

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