

# Certification of claims and returns annual report 2016-17

Wokingham Borough Council

December 2017

Ernst & Young LLP



The Members of the Audit Committee  
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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Wokingham Borough Council's 2016-17 Housing Benefits subsidy claim.

### **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 £23,278,780. We met the submission deadline. We issued a qualification letter etc – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected.

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 Audit Committee on 7 February 2018.

Yours faithfully

Helen Thompson  
Associate Partner  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£23,278,270
Amended/Not amended	Amended – minor amendments made to the claim to adjust for errors identified. Cell 26 was understated by £417 with corresponding adjustments noted in cells 12,14 and 28
Qualification letter	Yes
Fee – 2016-17	£11,787
Fee – 2015-16	£7,183

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. We have reported 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:

### Cell 11 Rent Allowances

Testing of the initial sample of 20 cases of Rent Allowances identified one case which failed due to an overpayment of benefits as a result of incorrect determination of earned income. In line with DWP guidance 100% testing was carried out on the full sub-population of Rent Allowance cases with earned income. This identified 5 further cases with errors. The claim was amended for the errors identified. Details of the amendments made can be found at the header of this page.

### Cell 55 HRA Rent Rebates

Testing of the initial sample of 20 cases of Rent Rebates identified one case which failed due to an overpayment of benefits as a result of incorrect determination of earned income. In line with DWP guidance 40+ testing was carried out on a further 40 cases of Rent Rebate cases with earned income. This identified 2 further errors with no impact on subsidy.

We reported the extrapolated value of the HRA Rent Rebate errors of £2,567 in our qualification letter to the DWP. The value of the error found is £25.10 per week and the benefit period is 11 weeks.

### **Cell 94 Rent Allowances**

2 separate errors were identified:

- One error was noted in respect of incorrect determination of earnings. This error resulted in an overpayment. In line with DWP guidance 40+ testing was carried out on a further 40 cases of Rent Allowance cases with earnings. This identified 7 further failures 2 of which resulted in overpayments. The value of the errors found range from £4.16 per week to £7.01 per week and the benefit periods range from 2 weeks to 10.57 weeks.
- One error was noted in respect of the incorrect determination of superannuation. This error resulted in an overpayment. In line with DWP guidance 40+ testing was carried out on a further 40 cases of Rent Allowance cases with superannuation. No further errors were identified. The value of the error found is £14.97 per week and the benefit period is 49 weeks.

We reported the extrapolated value of the Rent Allowance errors in our qualification letter to the DWP. The earned income error had an extrapolated error value of £2,226 and the superannuation error had an extrapolated error value of £1,782.

## 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 PSAA 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	11,787	11,787	7,183
Extended 40+ testing required to certify subsidy claim	TBC*		

The actual fee for 2015-16 and the indicative fee for 2016-17 are set by the PSAA. Fees in any one year are based on the amount of work required to certify the claim two years previous.

\*In line with guidance from the DWP where errors are identified then extended testing should be completed unless where the error type can be isolated. We completed the extended testing detailed in Section 1 of this report. We are currently determining the extent of this work and specifically if there should be any impact on additional fee. We will liaise with key officers on this. All additional fees are subject to formal approval by the PSAA.

### 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 £7,183. 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/>

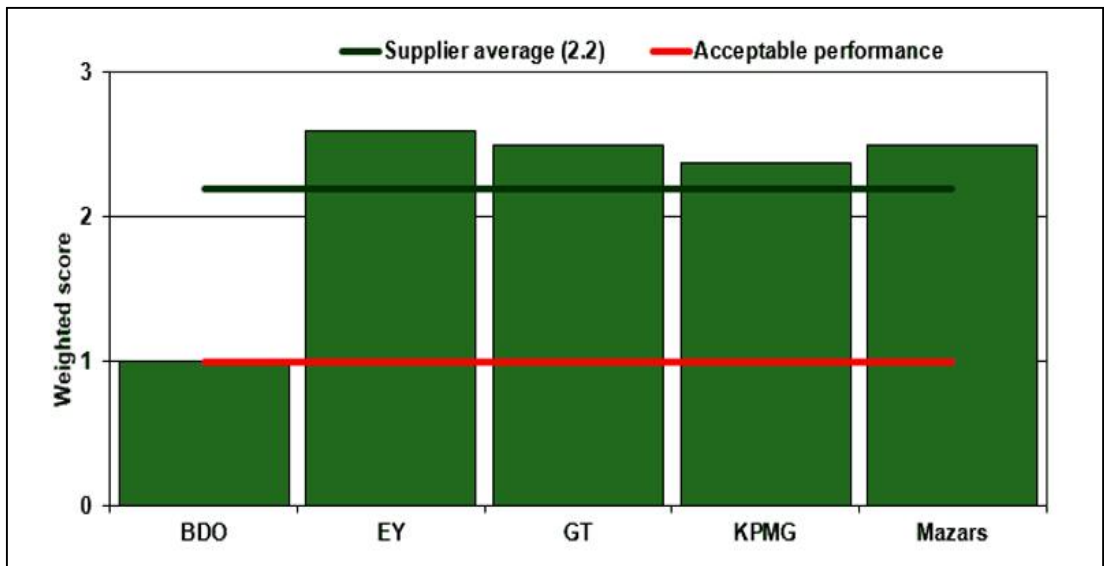
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Strategic Director of Resources before seeking any such variation.

#### 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 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.



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