


Agenda Item No:	<b>5</b>	
Committee:	<b>Corporate Governance</b>	
Date:	<b>7 February 2018</b>	
Report Title:	<b>Appointed Auditor – Annual Certification Report 2016-17</b>	

### Cover sheet:

#### **1 Purpose / Summary**

- This report introduces the Annual Certification Report for 2016-17. This report is produced by the Council's external auditors Ernst and Young (referred to as "EY" in this report) annually. This is attached as **Appendix A** to this report.
- The report looks at how the Council completes grant returns each year and looks into their accuracy, standards and any issues arising from them. It now only examines Housing Benefit subsidy.

#### **2 Key issues**

- This is an annual audit of Council grant claims, see EY's report attached.
- EY identified no major issues with the grant claim during their audit.
- The Department for Work and Pensions (DWP) has made no changes to the amount of Housing Benefit subsidy claimed by the Council.

#### **3 Recommendations**

- That Committee notes the attached report.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/a
<b>Portfolio Holder(s)</b>	Councillor Chris Seaton, Portfolio for Finance
<b>Report Originator(s)</b>	Geoff Kent – Head of Customer Services
<b>Contact Officer(s)</b>	Brendan Arnold - Corporate Director and Chief Finance Officer and Geoff Kent – Head of Customer Services
<b>Background Paper(s)</b>	N/a

## Report:

### **1 Background**

- 1.1 The Council claimed Housing Benefit subsidy of £30 million for 2016-17 in respect of this review. EY have made no adjustments. They made some observations as set out in their report which may have affected the total subsidy claimed by the Council.
- 1.2 However the Department of Work and Pensions wrote to the Council on 26 January 2018 advising that they will not be making any adjustments to the subsidy that the Council has claimed.
- 1.3 It should be noted that the majority of council's receive a qualification letter as any monetary error identified from as low as 1p would result in qualification of the claim.
- 1.4 The attached EY report details the issues mentioned above.

# Certification of claims and returns annual report 2016-17

Fenland District Council

15 December 2017

Ernst & Young LLP



**EY**

Building a better  
working world

The Members of the Corporate Governance Committee  
Fenland District Council  
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March  
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15 December 2017

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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Fenland District 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 £30,014,778. We met the submission deadline. We issued a qualification letter and 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 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	£30,014,778
Amended/Not amended	Amended
Qualification letter	Yes
Fee – 2016-17	£16,388
Fee – 2015-16	£14,262

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.

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 our further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- testing of the initial rent allowance sample identified one case where expenditure had been underpaid as a result of miscalculating the claimant's income. Additional testing identified two further errors of this nature resulting in an underpayment of benefit and three further errors which led to an overpayment of benefit;
- testing of the initial rent allowance sample identified one case where expenditure had been underpaid as a result of incorrectly applying a deduction for non-dependents. Additional testing identified two further errors of this nature resulting in an overpayment of benefit;
- testing of the initial rent allowance sample identified one case where expenditure had been underpaid as a result of incorrect Child Tax credit being used. Additional testing identified one further errors of this nature resulting in an overpayment of benefit and 3 further errors of this nature resulting in an underpayment of benefit.
- testing of the initial rent allowance sample identified one case where expenditure had been underpaid and one case where expenditure had been overpaid as a result of miscalculating weekly rental liability. Additional testing identified no further errors.

## 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	16,388	16,388	14,262



### 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 £14,262. 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/>

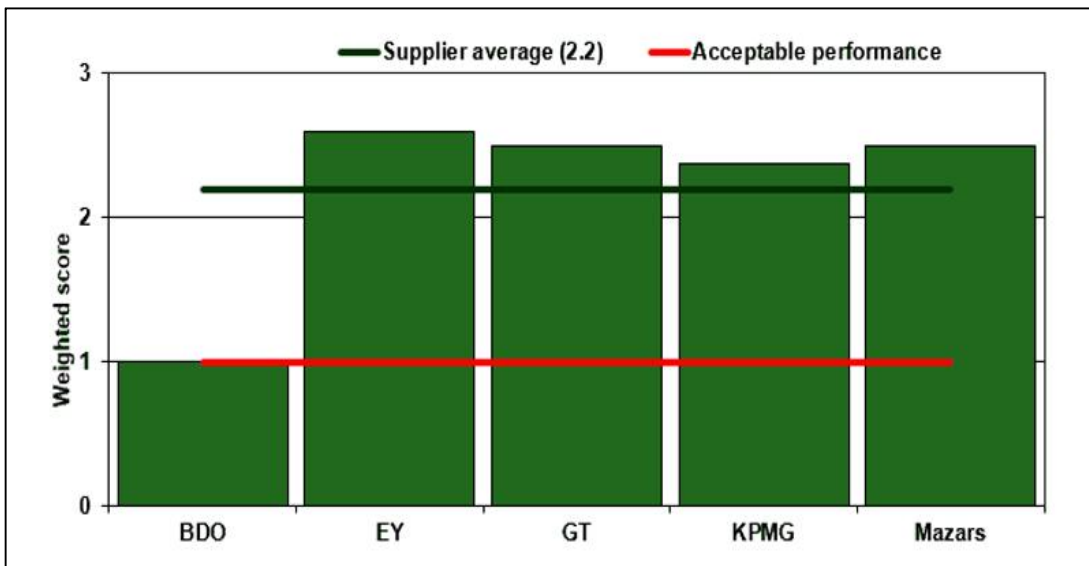
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Corporate Director before seeking any such variation.

#### 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 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

**EY** | Assurance | Tax | Transactions | Advisory

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