


Agenda Item No:	<b>5</b>	
Committee:	<b>Corporate Governance</b>	
Date:	<b>5 February 2019</b>	
Report Title:	<b>Appointed Auditor – Annual Certification Report 2017-18</b>	

### Cover sheet:

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

- This report introduces the Annual Certification Report for 2017-18. 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.
- We are awaiting confirmation from The Department for Work and Pensions (DWP) as to whether or not they require any further work to be undertaken as a result of the auditor's qualification letter.

#### **3 Recommendations**

- That Committee notes the attached report.

<b>Wards Affected</b>	All
<b>Portfolio Holder(s)</b>	Cllr Anne Hay, Portfolio Holder, Finance
<b>Report Originator(s)</b>	Sam Anthony – Head of HR&OD
<b>Contact Officer(s)</b>	Kamal Mehta, Interim Corporate Director and Chief Finance Officer Sam Anthony – Head of HR&OD

## Report:

### **1 Background**

- 1.1 The Council claimed Housing Benefit subsidy of £28 million for 2017-18 in respect of this review. EY have made a minor amendment to the claim presented to them for certification (reduction in subsidy of £75) which the Council has corrected. They made some further observations as set out in their report which may affect the total subsidy claimed by the Council.
- 1.2 The Department of Work and Pensions (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. We are still awaiting the decision from DWP.
- 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.

# Fenland District Council

## Certification of claims and returns annual report 2017/18

January 2019



Corporate Governance Committee  
Fenland District Council  
Fenland Hall  
County Road  
March  
Cambridgeshire  
PE15 8NQ

17 January 2019

Dear Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Fenland District Council's 2017/18 claims and returns.

### **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 reporting accountants 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 2017/18, 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.

### **Summary**

Section 1 of this report outlines the results of our 2017/18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £28,338,769. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

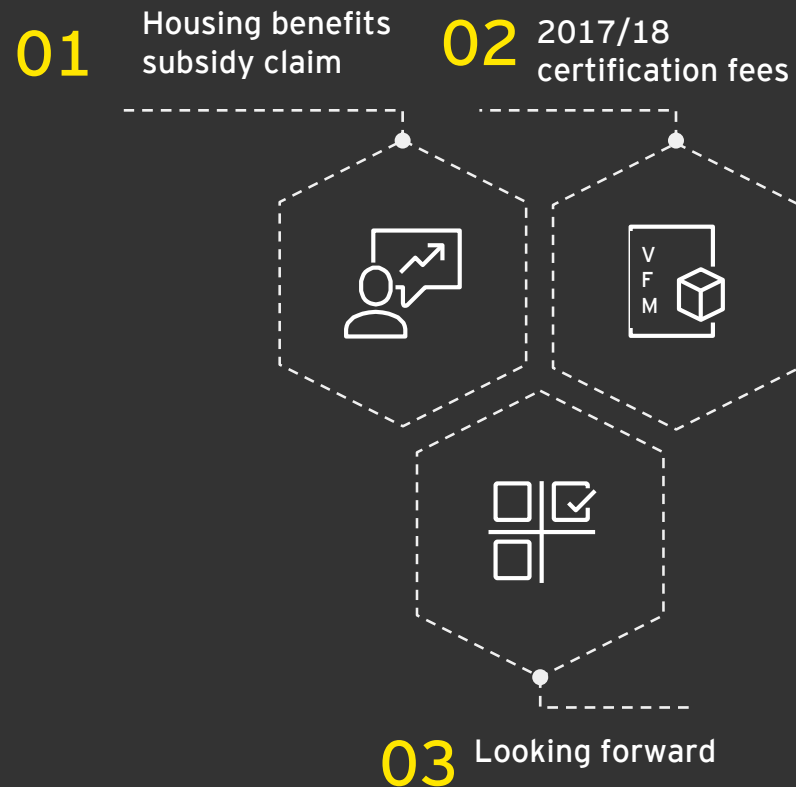
Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2017/18 were published by the Public Sector Audit Appointments Ltd (PSAA) and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the February Corporate Governance Committee.

Yours faithfully

Neil Harris  
Associate Partner  
For and on behalf of Ernst & Young LLP  
Encl

# Contents



This report is made solely to the Corporate Governance Committee and management of Fenland District Council. Our work has been undertaken so that we might state to the Corporate Governance Committee and management of Fenland District 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 Corporate Governance Committee and management of Fenland District 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.



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# Housing benefits subsidy claim





## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£28,338,769
Amended/Not amended	Amended - decreased subsidy by £75
Qualification letter	Yes
Fee - 2017/18	£14,262
Fee - 2016/17	£16,388

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 follow a programme of work specified by DWP. Detailed case testing is carried out on an initial sample of 20 cases per benefit type. More extensive '40+' or extended testing is undertaken 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.

We found errors and carried out extended testing in five areas, which represents a small increase in the level of error from the previous year.

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.

The main issues we identified are summarised in the table on the following page.

Errors have been identified in the calculation of earnings across all seven authorities within Anglia Revenues Partnership (ARP) in 2017/18 and also in previous years. Therefore ARP have implemented additional quality control procedures for all claims with earnings since 1 April 2018 to reduce the overall level of error in this area.

## Housing benefits subsidy claim

Benefit type	Nature of error identified
<b>Rent allowance</b>	<p>Testing of the initial sample identified one case with an error in the calculation of earnings resulting in an overpayment of benefit. Additional testing identified twelve input errors on earned income. This resulted in four overpayments, five underpayments and 3 cases with no impact on benefit.</p> <p>This issue was therefore included in our Qualification Letter, with an extrapolated impact of £21,277, following DWP's extrapolation methodology.</p>
<b>Rent allowance</b>	<p>Testing of the initial sample did not identify any errors in the application of non-dependent deductions, however additional testing was undertaken in this area due to errors identified in previous years. This additional testing identified two errors where non-dependent deductions had been applied incorrectly resulting in one overpayment and one underpayment of benefit.</p> <p>This issue was therefore included in our Qualification Letter, with an extrapolated impact of £7,996, following DWP's extrapolation methodology.</p>
<b>Rent allowance</b>	<p>Testing of the initial sample did not identify any errors in the application of child tax credit, however additional testing was undertaken in this area due to errors identified in previous years. This additional testing identified five further errors resulting in one overpayment, three underpayments and one case with no impact on benefit.</p> <p>This issue was therefore included in our Qualification Letter, with an extrapolated impact of £2,084, following DWP's extrapolation methodology.</p>
<b>Rent allowance</b>	<p>Testing of the initial sample identified one case which was incorrectly cancelled resulting in an overpayment of benefit. Additional testing was undertaken on the whole sub-population of cancelled claims and did not identify any further errors.</p> <p>The subsidy claim form was therefore amended in respect of this overpayment.</p>
<b>Rent allowance</b>	<p>Testing of the initial sample did not identify any errors in relation to rent cases in cell 102, however additional testing was undertaken in this area due to errors identified in previous years. This additional testing did not identify any further errors. Therefore, no further action was required.</p>





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## 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 Actual fee £	2017/18 Indicative fee £	2016/17 Actual fee £
Housing benefits subsidy claim	14,262	14,262	16,388

The indicative fee for 2017/18 is based on the actual fee for 2015/16, when the level of error identified was similar to that identified in 2017/18. Although the amount of extended testing undertaken in 2017/18 has increased from 2016/17 the level of error identified is lower.



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## Looking forward



## Looking forward

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### **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 are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim.

We welcome the opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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