

# Certification of claims and returns annual report 2016-17

Fareham Borough Council

December 2017

Ernst & Young LLP



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The Members of the Audit and Governance Committee  
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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Fareham Borough Council's 2016-17 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 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 £19,748,303. We met the submission deadline. We issued a qualification letter – 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 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 and Governance Committee meeting on 12 March 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	£19,748,382
Amended/Not amended	Amended – subsidy reduced by £79
Qualification letter	Yes
Fee – 2016-17	£11,310
Fee – 2015-16	£15,959

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.

Extended and other testing identified errors which the Council amended. These had a small net impact on the claim. We also reported an underpayment in the qualification letter. The DWP can decide whether to ask the Council to carry out further work to quantify the error. However, this is unlikely as the claim has been settled on the basis of our qualification letter, unless new information relating to the claim is brought to their attention.

The issue we reported was as follows:

- ▶ In 2015-16 we identified claims which contained errors in assessing the claimant's earnings. Whilst no errors were identified in our initial sample for 2016-17, using our knowledge of the subsidy claim, we selected an additional 36 claims for testing. This represented the remaining cases within the headline cell that contained earnings.
- ▶ Testing of the additional sample identified one case where benefit had been underpaid as a result of the Council incorrectly assessing the claimant's earnings. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.
- ▶ We were satisfied that this error did not impact subsidy claimed.

## 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 available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Our actual fee is in line with the indicative fee.

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	11,310	11,310	15,959

### 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 £15,959. 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/>

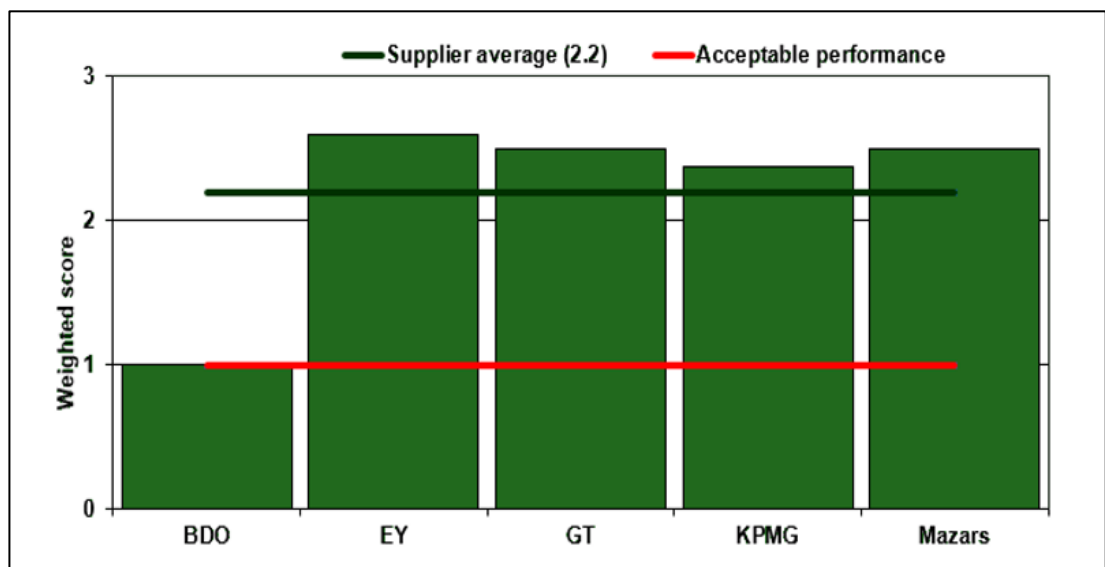
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Finance and Resources before seeking any such variation.

#### 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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