

Certification of  
claims and returns  
annual report  
2017-18

December 2018



Members of the Audit and Governance Committee

Fareham Borough Council  
Civic Offices  
Civic Way  
Hampshire  
PO16 7AZ

December 2018

Dear Audit and Governance Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Fareham Borough Council's 2017-18 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 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.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 11 March 2019.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Governance Committee and management of Fareham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Fareham Borough 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 Audit and Governance Committee, and management of Fareham Borough 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	£18,990,175
Amended/Not amended	Amended – final value of claim £18,990,097. Subsidy decreased by £78.
Qualification letter	Yes

Local Government administers the Government's housing benefits scheme for tenants and claims subsidy from the Department for Work and Pensions (DWP) towards the cost of benefits paid to claimants. We certify that subsidy claim.

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.

Matters that our testing identified are set out below.

## Non HRA Rent Rebates

- Our initial testing identified one case (error value £0.02) where the Council had overpaid benefit as a result of miscalculating the claimant's weekly earnings. Our certification instructions required us to extend our sample to determine the potential impact and extent of errors. We tested all 23 non HRA Rent Rebate cases that had claimants with earnings. No further errors were detected.
- Our initial testing identified two cases where overpayments were misclassified on the subsidy claim form between eligible and technical overpayments. Our certification instructions required us to extend our sample to determine the potential impact and extent of errors. We tested all 31 non HRA Rent Rebate cases that had eligible overpayments, as they could have been impacted by this type of error. Two further errors were detected. The subsidy claim was amended to correct these errors. The impact was to reduce subsidy claimed by £632. This type of error would have no impact on benefit paid to claimants.

## HRA Rent Rebates

- Our initial testing identified one case (error value £0.36) where the Council had overpaid benefit as a result of miscalculating the claimant's weekly earnings. Our certification instructions required us to extend our sample to determine the potential impact and extent of errors. We tested a further 40 HRA Rent Rebate cases that had claimants with earnings. No further errors were detected. We reported this matter to the DWP in our qualification letter. We are required to provide the DWP an extrapolation (or estimate) of the total impact of the overpayments. The extrapolated value of overpayments was £2.

## Housing benefits subsidy claim (continued)

Scope of work	Results
Value of claim presented for certification	£18,990,175
Amended/Not amended	Amended – final value of claim £18,990,097. Subsidy decreased by £78.
Qualification letter	Yes

### Rent Allowances

- Our initial testing identified one case (error value £8.54) where the Council had underpaid benefit as a result of miscalculating the claimant's weekly earnings. Our certification instructions required us to extend our sample to determine the potential impact and extent of errors. We tested a further 40 Rent Allowance cases that had claimants with earnings. No further errors were detected. We reported this matter to the DWP in our qualification letter.
- Our initial testing identified one case (error value £90.00) where the Council had overpaid benefit as a result of miscalculating childcare costs. Our certification instructions required us to extend our sample to determine the potential impact and extent of errors. We tested a further 40 Rent Allowance cases that had claimants with childcare costs. No further errors were detected. We reported this matter to the DWP in our qualification letter. We are required to provide the DWP an extrapolation (or estimate) of the total impact of the overpayments. The extrapolated value of overpayments was £276.
- Our initial testing identified one case (total value £5,611) where the Council could not provide proof of rent liability. The Council's data retention policy is to destroy documents after 9 years. The claim had been in payment continuously for a longer period. As the proof of rent liability was destroyed in accordance with the Council's policy, we did not undertake any extended testing. We reported this matter to the DWP in our qualification letter.

### Modified Schemes (war pensioners)

- Our initial testing identified one case (error value £739.44) where expenditure has been misclassified as a result of miscalculating private pension income. Our certification instructions required us to extend our sample to determine the potential impact and extent of errors. We tested all 11 modified scheme cases that had claimants with private pension income. No further errors were detected. The subsidy claim was amended to correct this error. The impact was to increase subsidy claimed by £554. This type of error would have no impact on benefit paid to claimants.



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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	2017-18	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £	Actual fee £
Housing benefits subsidy claim	£18,391*	15,959	11,310	15,959

\*We have proposed a scale fee variation of £2,432. This additional charge is as a result of additional extended testing performed in comparison to the baseline year in 2015-16. This variation has yet to be agreed with management and is subject to approval by Public Sector Audit Appointments Ltd.



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