

Certification of claims and returns annual report 2016-17

Crawley Borough Council

February 2018

Ernst & Young LLP



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Certification of claims and returns annual report 2016-17 for Crawley Borough Council

This report summarises the results of our certification work on Crawley Borough Council's 2016-17 housing benefit 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 (DWP) 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 and those issues reported to the DWP.

We checked and certified the housing benefits subsidy claim with a total value (in terms of subsidy claimed) of £48,454,410. We met the submission deadline of 30 November 2017 (actual submission date 28 November). We issued a qualification letter on the same date, the details of which are included in section 1. Our certification work found errors which resulted in extra testing and extrapolation in a qualification letter, as per the PSAA's Module 1 guidance. However, no amendments were made to the claim as a result of our work.

The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 11 March 2018 meeting of the Audit Committee.



We would also like to express our thanks to the Head of Finance, Revenues and Benefits and her team; the Council's claim was again well prepared and, as with previous years, we found a low number of errors in the cases examined.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Paul King', is displayed within a light blue rectangular box.

Paul King
Associate Partner
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£48,454,410
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016-17	£11,801
Fee – 2015-16	£11,386
Recommendations from 2015-16	Findings in 2016-17
We made no recommendations in 2015/16.	N/a

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 prior year claims. We found errors and carried out extended testing in a small number of areas.

Extended and other testing identified a small number of errors which, had the Council corrected, would have had only a negligible impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of the 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. These are the main issues we reported:

Rent allowances – incorrectly input non-dependent deductions

Our initial sample found one error where earned income had been input incorrectly leading to an overpayment of £851. Our original qualification letter dated 28 November 2017 extrapolated this error against the headline cell 094 which calculated a £58,473 subsidy adjustment. However, we re-examined this and noted that our extended testing sample was taken from a sub-population of non-dependent income cases. As such, in accordance with Appendix 1 of Module 1 guidance, we re-calculated the extrapolation, which came out as £3,267 underpayment of subsidy. This led to cell 099 being overstated and cell 113 understated by £3,267. The error was applied across the full year. A further sample of 40 cases was selected, with the emphasis on non-dependent deductions, and no further errors were found

No amendments were made to the claim for this error.

Rent allowances – incorrectly input earned income

Initial testing found one case where earned income had been incorrectly input into the benefit award calculation, and then further cases in our extended sample of 40 cases. This led to an extrapolation in our qualification letter dated 28 November 2017 of £99,283 based on sample testing errors of £1,342. However, we have re-examined our work in response to the DWP letter dated 8th December 2017 and found that our testing workbooks are showing overpayments where overpayments do not exist. We have re-examined the affected cases and are left with only the original error identified in the initial sample. As this was an

underpayment (of a type that could also lead to overpayments), then any extrapolation becomes zero.

No amendments were made to the claim for this error.

Other reporting matters

We have no other issues to report.

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 available on the PSAA's website (www.psa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	11,801*	11,801	11,386

*since the date of certification, the DWP has twice written to us requiring further work and clarification over some of the issues and numbers in the 28 November 2017 qualification letter. This has resulted in extra audit hours at Manager and Associate Partner level which will result in a request for extra fee. This will be in the region of £500 and has yet to be agreed with management. Once agreed, we will update the committee accordingly.

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 £11,386. 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/>

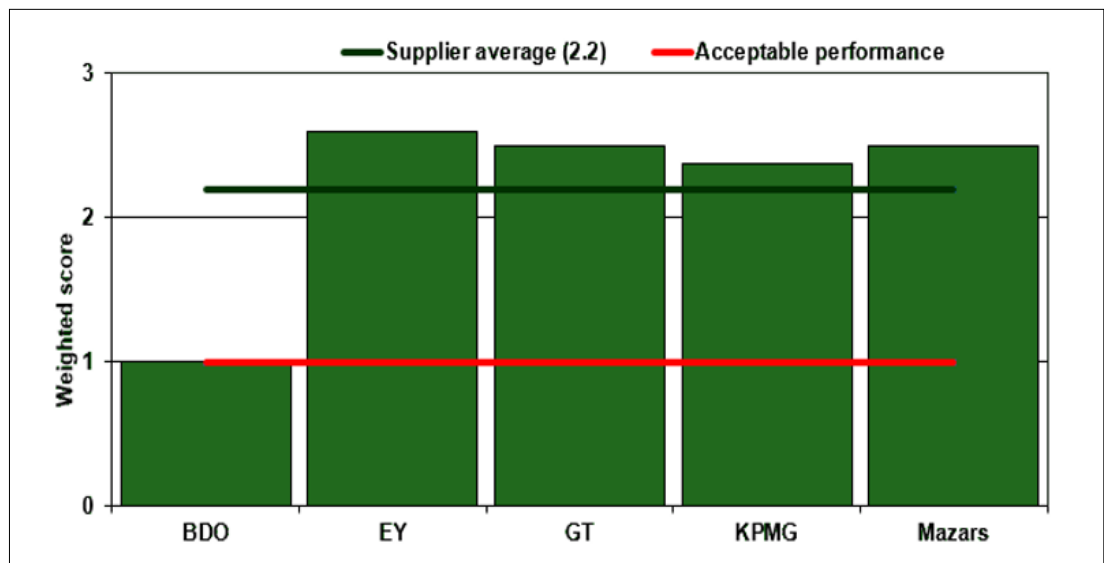
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance, Revenues and Benefits before seeking any such variation.

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 we are discussions with officers to 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 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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