

Certification of claims and returns annual report 2016-17

Isle of Wight Council

December 2017

Ernst & Young LLP



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working world**

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Dear Members

Certification of claims and returns annual report 2016-17 Isle of Wight Council

We are pleased to report on our certification work. This report summarises the results of our work on Isle of Wight 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 claim 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 issues we identified.

We checked and certified the housing benefits subsidy claim with a total value of £48,686,548. We met the submission deadline for this work. We issued a qualification letter – details of the qualification matters are included in section 1. In addition, our certification work found errors which the Council corrected in the final version of the subsidy claim. These amendments resulted in a very small increase in the amount of subsidy 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 PSAA in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 19 February 2018.

Yours faithfully

Helen Thompson
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£48,686,548
Amended/Not amended	Amended – subsidy increased by £13
Qualification letter	Yes
Fee – 2016-17	£17,078
Fee – 2015-16	£14,711

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 stipulates the level of initial testing auditors are required to perform and 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 in the final subsidy claim. They had a very small net impact on the total amount of subsidy claimed. We have reported underpayments 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 errors or to claw back the benefit subsidy paid.

Our work identified the following issues:

Rent allowance – employed earnings

Our initial sample of Rent Allowance cases identified one error as a result of miscalculation of employed earnings. This resulted in an underpayment of benefit with a total value of £88.44.

Extended testing was performed on a sample of Rent Allowance cases with employed earnings. Six further errors were found in the extended sample – three cases resulted in overpayments of benefit with a total value of £208.36 and four cases resulted in underpayments of benefit with a total value of £305.44 (one case had both under and overpayments due to multiple changes in employed earnings).

Our certification guidance required us to report the errors from our initial and extended samples to the DWP in our qualification letter, along with the extrapolated value of the overpayments. Amendments have been made to the individual claims in 2017-18 to ensure that the benefit paid to claimants is corrected.

Rent allowance – fixed penalty charge

Our initial sample of Rent Allowance cases also identified one error as a result of misclassification of benefit due to manual recoding of an overpayment not taking account of the part of a fixed penalty charge added to the original overpayment which had been recovered from the claimant. Upon recoding, the paid element of the penalty charge remained in the original cell in error, whilst the rest of the overpayment was reclassified to another cell. The total value of misclassified benefit was £22.20.

Extended testing was performed to review all other cases of this type, from which no further errors were identified. As the full sub-population had been tested, an agreed amendment was made to the subsidy claim and we were not required to report this matter in our qualification letter.

Non-HRA Rent Rebate – employed earnings

Our initial sample of Non-HRA Rent Rebate cases identified two errors as a result of miscalculation of employed earnings. These resulted in one overpayment of benefit with a total value of £1,199.99 and one underpayment of benefit with a total value of £76.85.

Extended testing was performed on all other Non-HRA Rent Rebate cases with employed earnings. Six further errors were found in the extended sample – one case resulted in an overpayment of benefit with a total value of £1.36 and five cases resulted in underpayments of benefit with a total value of £288.12.

As the full sub-population had been tested, an agreed amendment was made to the subsidy claim for the overpayments identified from our initial and extended samples. Our certification guidance required us to report the underpayment errors from our initial and extended samples to the DWP in our qualification letter. Amendments have been made to the individual claims in 2017-18 to ensure that the benefit paid to claimants is corrected.

Non-HRA Rent Rebate – incorrect vacation date

Our initial sample of Non-HRA Rent Rebate cases also identified one error as a result of the incorrect vacation date being used for a Bed and Breakfast claim. This resulted in an overpayment of benefit with a total value of £42.03.

Extended testing was performed on all other Non-HRA Rent Rebate cases with the Bed and Breakfast tenancy type (claim form cell 012). Eleven further errors were found in the extended sample, resulting in overpayments of benefit with a total value of £212.46.

As the full sub-population had been tested, an agreed amendment was made to the subsidy claim and we were not required to report this matter in our qualification letter. Amendments have been made to the individual claims in 2017-18 to ensure that the benefit paid to claimants is corrected.

Due to the complex nature of the claim a certain number of errors are almost inevitable. The issues above have been reported in the qualification letter where applicable and have been discussed with officers. The Council is aware of the need to keep error rates as low as possible and as such formal recommendations on the above issues are not judged necessary in this report.

Amendments were made to the claim as noted above. The net impact of these was to increase subsidy received by £13. As per DWP instructions, an extrapolation was included in the qualification letter based on the value of overpayment errors identified in Rent Allowance employed earnings claims. The total value of the error extrapolation was £8,274, which represents a very small percentage of total subsidy claimed (£48,686,561).

Following submission of the certified claim, the Council has received confirmation from DWP that the claim has been accepted, and therefore that the additional £13 subsidy will be paid, and that there will be no claw-back of subsidy in respect of the extrapolation noted above.

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).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	17,078	17,078	14,711

The scale fees set by PSAA are based on the fee charged to the Council two years prior to the year in question. No scale fee variation was sought by the auditor in 2015/16 or 2016/17.

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 £14,711. 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/>

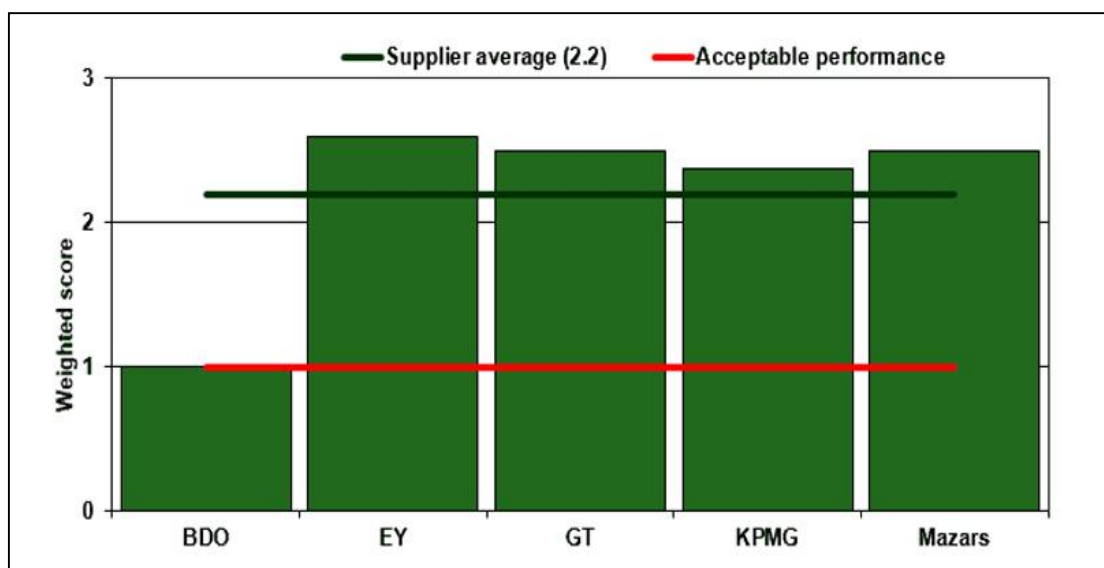
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Finance before seeking any such variation.

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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