

Certification of claims and returns annual report 2016-17

Brighton & Hove City Council

January 2018

Ernst & Young LLP



The Members of the Audit & Standards Committee
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January 2018
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Dear Members

Certification of claims and returns annual report 2016-17 for Brighton & Hove City Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Brighton & Hove City Council's (the Authority's) 2016-17 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 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 £157,738,923. We met the submission deadline. Our initial work identified a number of errors. As a result further testing needed to be undertaken by the Authority and reviewed by us. We reported the results of our initial and additional testing to the DWP in a qualification letter. Details of the qualification matters are included in section 2.

Fees for certification and other returns work are summarised in section 3. 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).



We welcome the opportunity to discuss the contents of this report with you at the January 2018 meeting of the Audit & Standards Committee.

Yours faithfully

Paul King
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Contents

1. Housing benefits subsidy claim.....	1
2. 2016-17 certification fees.....	32
3. Looking forward.....	43

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£157,738,923
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016-17	£13,898
Fee – 2015-16	£16,957

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. We found errors and carried out extended testing in several areas.

We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Authority to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- Testing of Non-HRA Rent Allowances cases identified one case where benefit had been overpaid as the Authority had miscalculated the claimant's average weekly income. 40+ testing was completed and cases identified 9 cases where benefit had been underpaid and 9 cases where benefit had been overpaid. The overpayment errors were extrapolated across the population to produce a figure of £19,110 and included in our qualification letter stating subsidy was over-claimed by the same amount.
- Testing of Rent Allowances cases identified one case where the claimant's eligible rent had not been included correctly in the assessment. 40+ testing was completed but did not identify any further errors. The overpayment was extrapolated to produce a figure of £15,083 and included within our qualification letter stating subsidy was over-claimed by the same amount.
- Testing of our initial sample of Rent Allowance cases did not identify any errors in the calculation of claimant income. However, the certification guidance required a 40+ sample to be tested as errors were identified in the prior year. This 40+ sample identified three cases where incorrect calculation of claimant income resulted in an overpayment of benefit, three cases where incorrect calculation of income resulted in underpayment of benefit and one case which included periods of both overpayment and underpayment of benefit. The overpayments were extrapolated across the population to produce a figure of £50,996 and was included within our qualification letter stating subsidy was over-claimed by the same amount.
- Testing of our initial sample of Rent Allowance cases did not identify any errors related to the misclassification of Eligible Overpayments, which had been identified in the prior year. As we identified this error in the prior year, certification guidance required 40+ testing to be completed. This additional testing identified one case where a Local Authority Error had been incorrectly recorded as an Eligible Overpayment. This error was extrapolated across the population to produce a figure of £34,850 and was included in our qualification letter stating subsidy was over-claimed by the same amount.

2. 2016-17 certification fees

The PSAA determine an indicative fee each year for the audit of claims and returns. For 2016-17, these indicative 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.psa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,898	13,898	16,957

The fee for 2016/17 did not vary from the indicative fee set by the PSAA.

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 Authority’s indicative certification fee for 2017/18 is £16,957. 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.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

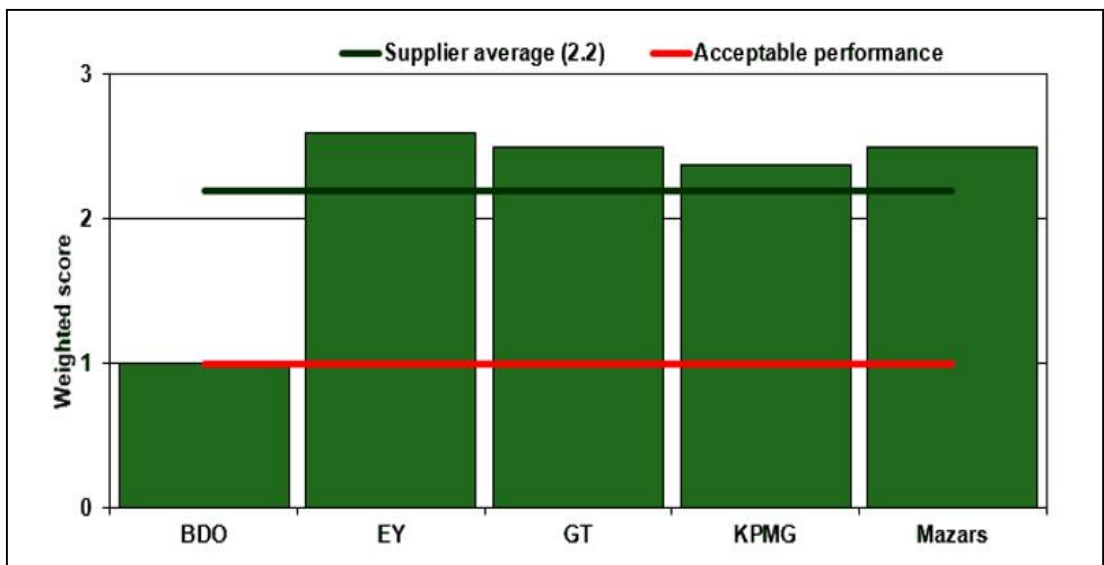
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Executive Director Finance & Resources before seeking any such variation.

2018/19

From 2018/19, the Authority 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 housing benefit 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).



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