

Certification of claims and returns annual report 2016-17

Southampton City Council

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Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2016-17 Southampton City Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Southampton City Council's 2016-17 Housing Benefit subsidy 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 and did not undertake an audit of the claim.

Summary

We checked and certified the housing benefits subsidy claim with a total value of £108,428,329. We met the submission deadline. We issued a qualification letter, details of the matters identified are included in section 1. Our certification work also found minor errors which the Council corrected in their final claim form. 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 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 Governance Committee on 12 February 2018.

Yours faithfully

Helen Thompson
Associate Partner
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£108,428,482
Amended	Amended – subsidy reduced by £153.
Qualification letter	Yes
Fee – 2016-17	£15,208*
Fee – 2015-16	£19,524
	*the 2016-17 fee has been reduced by 20% from £19,005 as a result of the Council agreeing to perform some of the initial testing themselves. We have done sufficient checking to satisfy ourselves that this testing was appropriately performed. This approach was reported to the Governance Committee in April 2017 as part of our progress report.

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

One area of extended testing identified an error which the Council amended. It had a small net impact on the claim. 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 error or to claw back the benefit subsidy paid. These are the main issues we reported:

- Testing of the initial sample of Non HRA Rent Rebates identified one case (total value £3) where benefit had been underpaid as a result of the Authority miscalculating the claimant's average weekly income. Because errors miscalculating the claimant's average weekly income could result in overpayments, extended testing was required. This identified two further cases (total value £160) where benefit had been underpaid and one further case (total value £30) where benefit had been overpaid as a result of a similar error. The extrapolated error of benefit overpaid in our qualification letter was £3,185.
- Testing of the initial sample of Rent Allowances identified one case (total value £99) where benefit had been underpaid as a result of an earnings disregard not been awarded. In this case, no extended testing is required by our certificate instructions as the nature of the error detected could not give rise to an overpayment.
- Testing of the initial sample of Rent Allowances identified one case (total value £92) where benefit had been underpaid as a result of a dependant not been taken into account when awarding allowances. In this case, no extended testing is required by our certificate instructions as the nature of the error detected could not give rise to an overpayment.
- Testing of the initial sample of Rent Allowances identified one case (total value £40) where benefit had been underpaid as a result of the Authority miscalculating the claimant's average weekly income. Extended testing was required. This identified two further cases (total value £207) where benefit had been overpaid as a

result of a similar error. The extrapolated error of benefit overpaid in our qualification letter was £28,845.

The Council has agreed to take the following actions to address the issues identified above:

- all impacted cases will be corrected; and
- assessors will be reminded of the need to ensure correct entry of all payslip information when calculating earnings.

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 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	15,208*	19,005	19,524

*the 2016-17 fee has been reduced by 20% from £19,005 as a result of the Council agreeing to perform some of the initial testing themselves. We have done sufficient checking to satisfy ourselves that this testing was appropriately performed. This approach was reported to the Governance Committee in April 2017 as part of our progress report. Under the terms of our contract, this reduction in fee must be approved by the PSAA. We are in the process of seeking this approval.

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 £19,524. 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/>

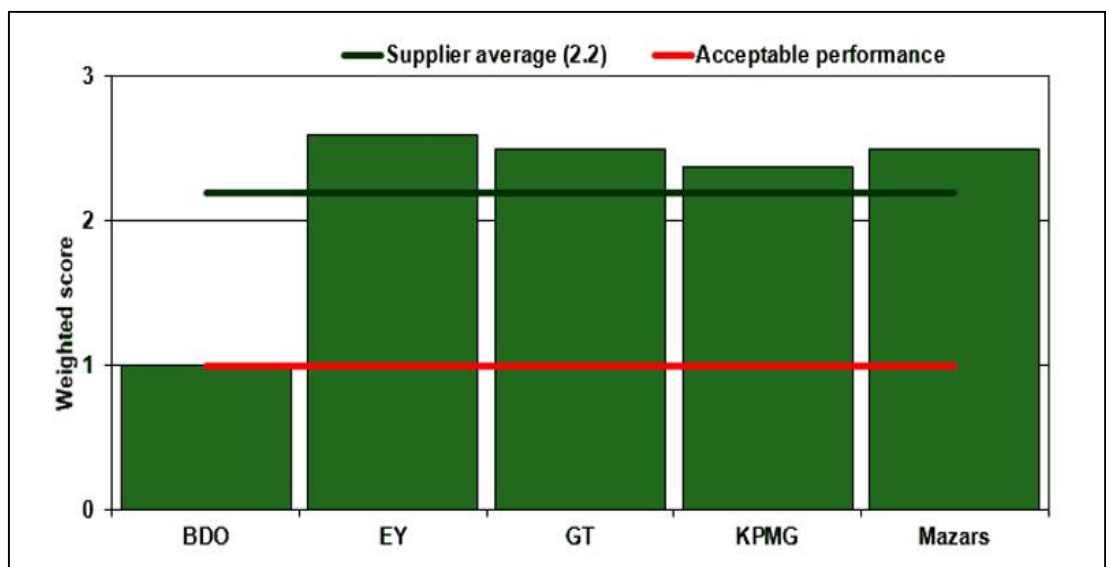
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Service Director – Finance and Commercialisation before seeking any such variation.

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 have already engaged in discussions with Council Officers on this matter.

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, delivering efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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