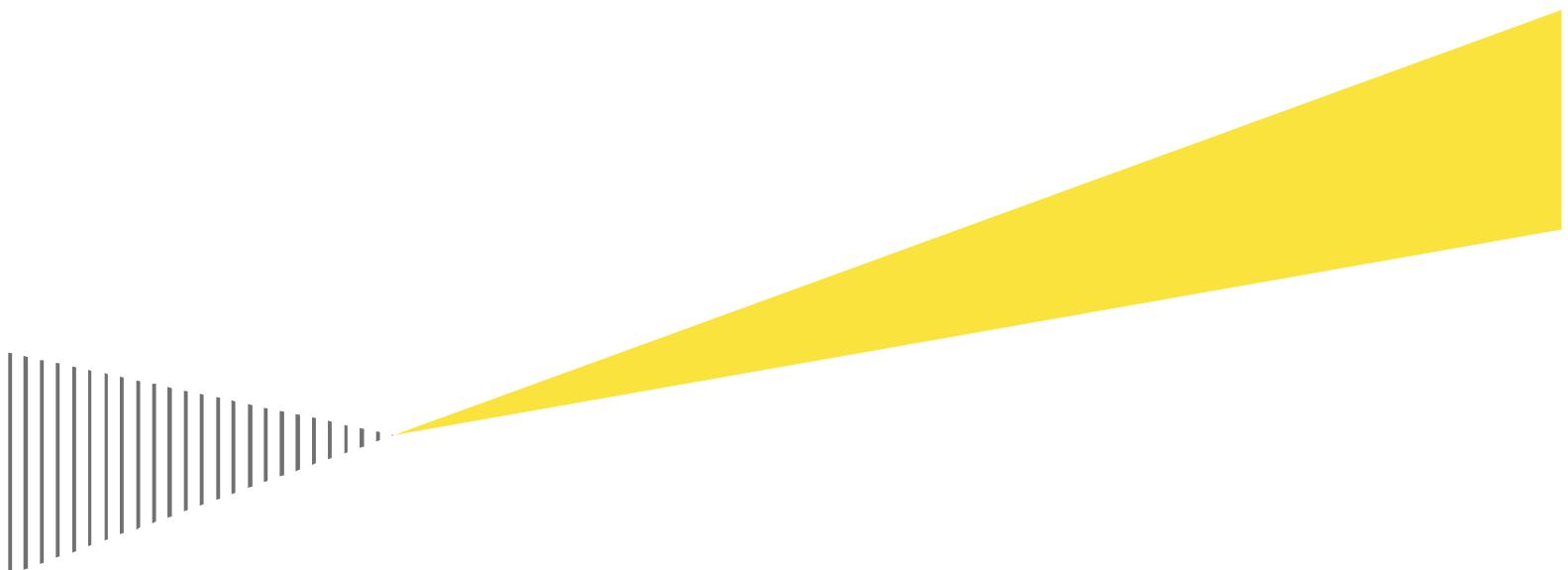


Certification of claims and returns annual report 2016-17

North Hertfordshire District Council

15 December 2017

Ernst & Young LLP





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Dear Members

Certification of claims and returns annual report 2016-17 North Hertfordshire District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on North Hertfordshire District Council'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 £36.1m. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. Some amendments were made to the initial claim however these had a marginal effect on the grant due.

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).



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We welcome the opportunity to discuss the contents of this report with you at the next meeting of the Finance, Audit and Risk Committee on 22 January 2018.

Yours faithfully

Suresh Patel
Associate Partner
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£36,175,192
Amended/Not amended	Amended – subsidy increased by £7,114
Qualification letter	Yes
Fee – 2016-17	£5,648 (potentially will reduce by £1,097 subject to the agreement of PSAA Ltd, please refer to section 2) £7,524
Fee – 2015-16	

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 one area.

We asked the Council to amend the claim to exclude amounts that had been included for rent rebates (total subsidy claimed £1,417). Rent rebate expenditure is incurred where a Council has a housing revenue account, which North Hertfordshire District Council no longer has. The amounts on the claim did not represent amounts actually paid out to claimants and therefore were not eligible for subsidy. The Technical Team also identified some manual amendments that were required. The net impact of the removal of the rent rebates and the manual adjustments was an increase in subsidy of £7,114.

We have reported underpayments in a qualification letter. The issue we reported was in respect of the system uprating of State retirement pension amounts giving rise to a higher figure than the amount actually in payment:

- For one case in our initial sample of 20 the Authority had underpaid benefit due to the system using an uprated amount for State retirement benefits resulting in a figure greater than that actually in payment. This meant that the claimant's weekly income shown on the benefits system was a higher figure than it should have been. This resulted in the claimant receiving less benefit than they were entitled to. There is no eligibility for subsidy where the benefit has not been paid out which is the case when claimants are underpaid. The value of the error was (£0.78).

As errors miscalculating the claimant's average weekly income could result in overpayments which do affect the eligibility to subsidy an additional random sample of 40 cases was tested. [For Members' information we also undertook one additional sample of 40 cases in 2015/16 due to errors in the calculation of claimant income but that year we found errors resulting in both under and over payments.]

Testing of the additional sample of 40 cases for 2016/17 identified found a further 2 cases where the same issue arose, ie that State retirement benefits were higher than the actual amounts in payment (value of errors £144.96). Again there was no impact on the Council's claim in respect of these cases as the errors were underpayments. However there are implications for claimants as they received less benefit than they should have done.

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	4,551	5,648	7,524

The level of fee for the certification of the housing benefits return can fluctuate year on year depending on the level of errors identified during initial testing. The 2016/17 fee was based on the outturn fee for 2014-15.

We agreed with the Council's Strategic Director of Finance, Policy and Governance that if the Council's staff undertook the initial testing of 20 cases that we would seek to reduce the fee by 20% to reflect the lower level of work required from the EY team. This proposed reduction has to be agreed by PSAA Ltd (they also have to agree where there have been proposed increases in fees). We have yet to receive agreement to the reduction of £1,097 which is showing in the above table as the difference between the indicative and annual fee.

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 £7,524. 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/>

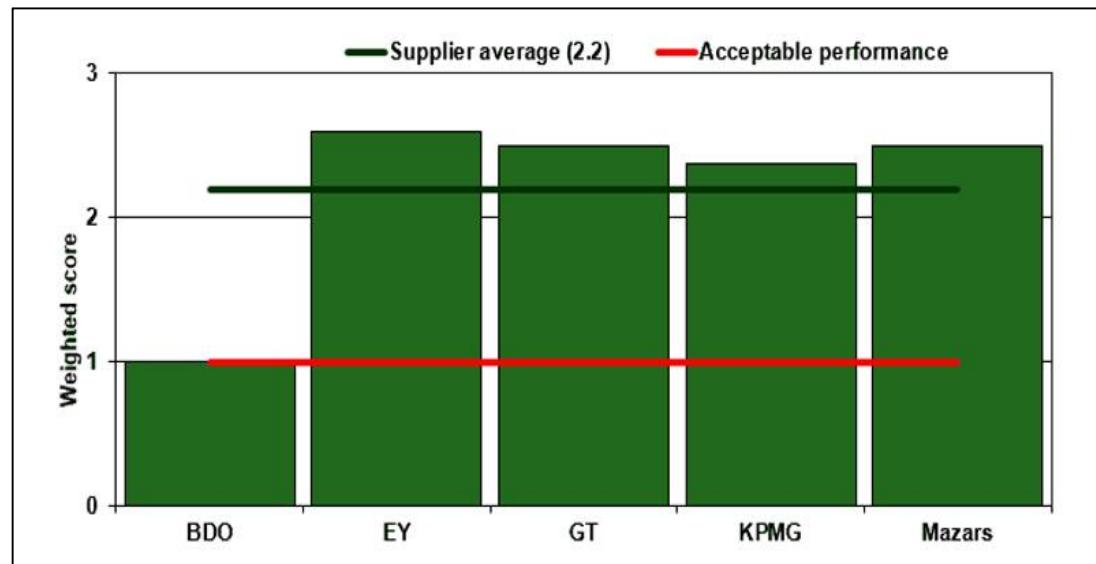
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Finance Officer before seeking any such variation.

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.

Looking forward

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