

REPORT TITLE: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT
2016/17

8 MARCH 2018

REPORT OF PORTFOLIO HOLDER: CLLR ASHTON – PORTFOLIO HOLDER FOR
FINANCE

Contact Officer: Liz Keys Tel No: 01962 848 226 Email LKeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

The purpose of the Certification of Claims and Returns Annual Report is to summarise the results of External Audit's work on the Council's housing benefits subsidy claim for 2016/17.

RECOMMENDATIONS:

1. That the Audit Committee considers the attached Annual Report (Appendix 1) and takes the opportunity to raise any points of clarification or concerns with the External Auditors (who will be present at the Committee meeting).

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 External Audit findings contribute to the corporate governance arrangements of the Council, which in turn supports the achievement of the objectives in the Council Strategy.

2 FINANCIAL IMPLICATIONS

- 2.1 The audit fee for grant certification work relating to 2016/17 is £8,843 which is the same as the indicative fee provided. The actual fee for 2015/16 was £10,535.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 None.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 None required.

9 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>	n/a	n/a
<i>Community Support</i>	n/a	n/a
<i>Timescales</i>	n/a	n/a
<i>Project capacity</i>	n/a	n/a
<i>Financial / VfM</i>	Checks carried out by the external audit ensure that the Council is calculating its Housing Benefit Subsidy claim accurately.	n/a

Risk	Mitigation	Opportunities
<i>Legal</i>	n/a	n/a
<i>Innovation</i>	n/a	n/a
<i>Reputation</i>	n/a	n/a
<i>Other</i>	n/a	n/a

10 SUPPORTING INFORMATION:

- 10.1 The only remaining Government Grant received by the Council that requires external certification is in respect of Housing Benefit Subsidy. The Council's external auditors; Ernst & Young have completed their review of the Housing Benefit Subsidy claim (totalling £27.44m).
- 10.2 The auditor's review of the Housing Benefit Subsidy Claim 2016/17 identified some errors in the calculation of claimant income. The auditors have reported that the net impact of the extrapolated value of the errors would cause the level of subsidy due to the Council to decrease by £3,434.
- 10.3 This is a positive report for the Council that provides assurance to the Audit Committee in respect of the Council's ability to provide good financial stewardship of taxpayer's money.
- 10.4 The external auditor's Certification of claims and returns report for 2016/17 is attached as Appendix 1 to this report.

11 OTHER OPTIONS CONSIDERED AND REJECTED

- 11.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD180 Certification of Claims and Returns Annual Report 2015/16

Other Background Documents:-

APPENDICES:

Appendix 1 Certification of Claims and Returns Annual Report 2016/17

FOR OFFICER USE: TO BE COMPLETED BY OFFICER CLEARING REPORT					
Report clearance prior to CMT:	Officer Initials				
Finance Clearance: DK/NA/LK*					

Legal Clearance: LH/FS/MS*						
Report clearance prior to Leaders Board:	Officer Initials					
CMT clearance: LT/JH/ST*						

*please add initials to appropriate box once report has been cleared

Certification of claims and returns annual report 2016-17

Winchester City Council

December 2017

Ernst & Young LLP



EY

Building a better
working world

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December 2017
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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Winchester City 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 £27,444,109. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work also found several minor errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification work are summarised in section 2. 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.psa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 8 March 2018.

Yours faithfully

Helen Thompson
Associate Partner
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£27,445,058
Amended/Not amended	Amended – subsidy reduced by £949
Qualification letter	Yes
Fee – 2016-17	£8,483
Fee – 2015-16	£10,535

Recommendations from 2015-16	Findings in 2016-17
None	Our findings are set out below. No recommendations have been made

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.

Our initial testing identified errors in the calculation and classification of benefit awarded to one rent allowance claimant during the year resulting in underpaid benefit.

Additional 40+ testing was performed on rent allowance claimants in receipt of earned income and identified further errors. We have reported the extrapolated value of the errors in a qualification letter. The DWP will decide whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

We reported the following issue.

Rent allowances

We identified one claim where the Council underpaid benefit as a result of miscalculating the claimant's weekly self-employed earnings. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. However, because errors miscalculating the claimant's average weekly income could result in overpayments, an additional random sample of 40 cases was tested. This additional testing identified a further seven claims with errors.

In five of the additional claims with errors, the miscalculation of income led to an overpayment and in the other two cases, benefit was underpaid.

The total value of the actual errors detected was £366. The net impact of the extrapolated errors on the claim would be a loss of subsidy of £3,434.

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.psa.co.uk).

We introduced a new approach in 2016-17 with the housing benefit team taking on greater participation in the completion of the detailed testing workbooks for the initial testing of 20 cases per housing benefit type. The key benefits included:

- ▶ reduced cost of certification. All other factors being equal, we planned to reduce the indicative fees by an average baseline of 20%;
- ▶ improved workload management for the HB team - being able to schedule the initial testing work from May right across the summer, and secondly identifying errors and subsequent 40+ testing much earlier in the process leading to reduced stresses in November; and
- ▶ increased engagement in the process - earlier learning and corrections from any identified errors, reducing their impact in the next subsidy period

We have been unable to offer the expected scale fee reduction for 2016/17 due to the following factors:

- ▶ the higher than anticipated level of support and guidance required by the HB team undertaking the testing and completing the HB workbooks;
- ▶ the identification of errors in the initial test sample resulting in the need for a higher level of re-performance than expected, and the subsequent requirement for 40+ testing to be performed, albeit by the HB team, and a qualification letter to be prepared. No errors had been detected in previous periods and the scale for the audit had been set on that basis; and
- ▶ the identification of additional errors in the 40+ test sample resulting in the need for re-performance of all cases with errors.

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	8,483	8,483	10,535

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 £10,535. 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/>

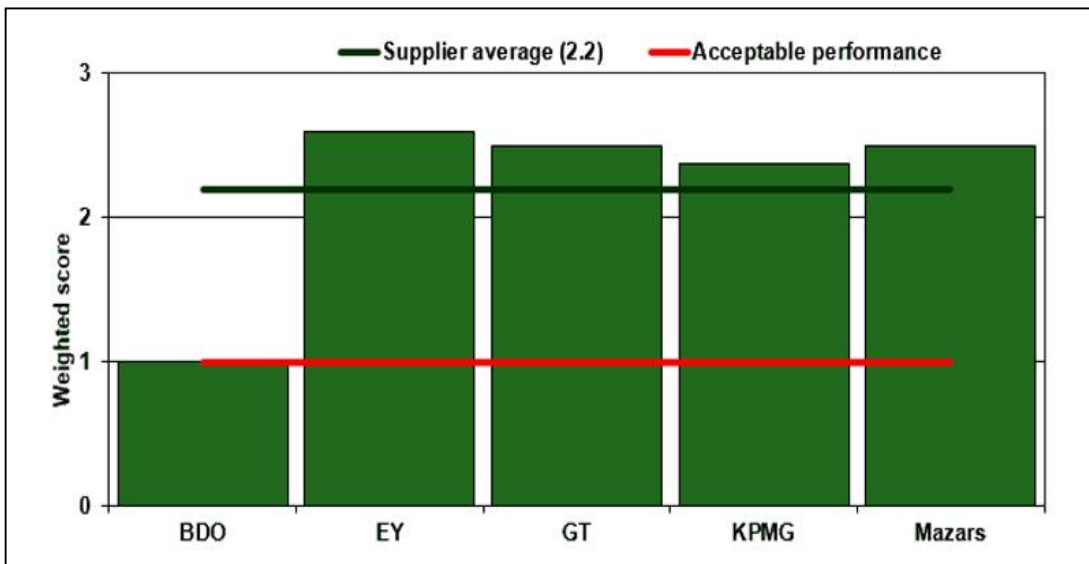
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Strategic Director (Resources) before seeking any such variation.

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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