

Certification of claims and returns annual report 2016-17

Portsmouth City Council

January 2018

Ernst & Young LLP



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The Members of the Governance and Audit and Standards Committee
Portsmouth City Council
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Guildhall Square
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Ref: PCC/Claims/2016/17

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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Portsmouth 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 £106,417,903. We met the submission deadline. 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 minimal 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.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit and Standards Committee on 2 February 2018.

Yours faithfully

A handwritten signature in black ink, which appears to read 'Helen Thompson', is written over a faint, light-colored rectangular stamp or watermark.

Helen Thompson
Associate Partner
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1. Housing benefits subsidy claim

| Scope of work | Results |
|--|--|
| Value of claim presented for certification | £106,417,902 |
| Amended/Not amended | Amended – subsidy claimed increased by £1 |
| Qualification letter | Yes |
| Fee – 2016-17 | £17,196 |
| Fee – 2015-16 | £17,797 |
| 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 certification of previous years' claims.

Our initial testing identified a number of errors in the calculation and classification of benefits awarded to claimants during the year resulting in instances of both underpaid and overpaid benefit.

Additional 40+ testing was undertaken and identified further errors. We have reported the underpayments and 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 issues.

HRA Rent Rebates – 4 failures in initial testing

For one claim, an overpayment was incorrectly classified as technical when it should have been eligible. 40+ testing was undertaken and 5 further fails were identified. The total value of the actual errors detected was £1,756. When extrapolated the aggregate value of the potential errors would be £25,057.

For one claim, an overpayment was incorrectly classified as LA error/ administrative error when it should have been eligible. 40+ testing was undertaken and 4 further fails were identified. The total value of the actual errors detected was £565. When extrapolated the potential error would be £3,544.

An error in the calculation of claimant income for one claim resulted in an overpayment of benefit. Monthly civil service pension income was calculated incorrectly and for the incorrect period. 40+ testing was undertaken and 6 further fails were identified. The total value of the actual errors detected was £25. When extrapolated the potential error would be £881.

Monthly net civil service pension income was input incorrectly for another claim, but this error had no effect on entitlement or subsidy claimed.

Rent Allowances – 4 failures in initial testing

For one claim, the benefit assessor used the earlier of the date the claimant started work and the date JSA (IB) ended as per the DWP in its calculation of benefit entitlement. The Authority should be matching to the DWP decision so the case should have remained passported for an additional week rather than the rate of the JSA being used as standard income for determining the benefit entitlement. This type of error will always result in an underpayment of benefit with an eligible overpayment raised in error. 40+ testing was undertaken on eligible overpayments to check their eligibility and 2 further fails were identified. The total value of the actual errors detected was £324. When extrapolated the potential error would be £31,307.

For two claims, errors in the calculation of self-employed income resulting in under and overstated income led to both under and overpaid periods of benefit. 40+ testing was undertaken and 14 further fails were identified. The total value of the actual errors detected was £1,208. When extrapolated the aggregate value of the potential errors would be £22,248.

For one claim, an invalid period of authorised backdating was identified. There was no impact on benefit paid or subsidy claimed. 40+ testing is not required for errors which by their nature do not affect the amount of subsidy claimed, but the issue was reported in our qualification letter.

Other issues

The weekly rent limit figure is provided by the DWP and the Authority is unable to amend the entry in the PDF claim. The Authority's Housing Finance team has questioned the accuracy of this figure with the DCLG who have subsequently amended it and passed details of the revised figure to the DWP. We have made reference to this issue in our qualification letter under the 'other observations' heading.

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).

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 and the 40+ testing. 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 expected error rate in the initial test samples resulting in the need for a higher level of re-performance; and
- ▶ the higher than expected error rate in the 40+ test samples which generated additional work in terms of re-performance and reporting.

| Claim or return | 2016-17 Actual fee £ | 2016-17 Indicative fee £ | 2015-16 Actual fee £ |
|--------------------------------|----------------------------|--------------------------------|----------------------------|
| Housing benefits subsidy claim | 17,196 | 17,196 | 17,797 |

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 £17,797. 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/>

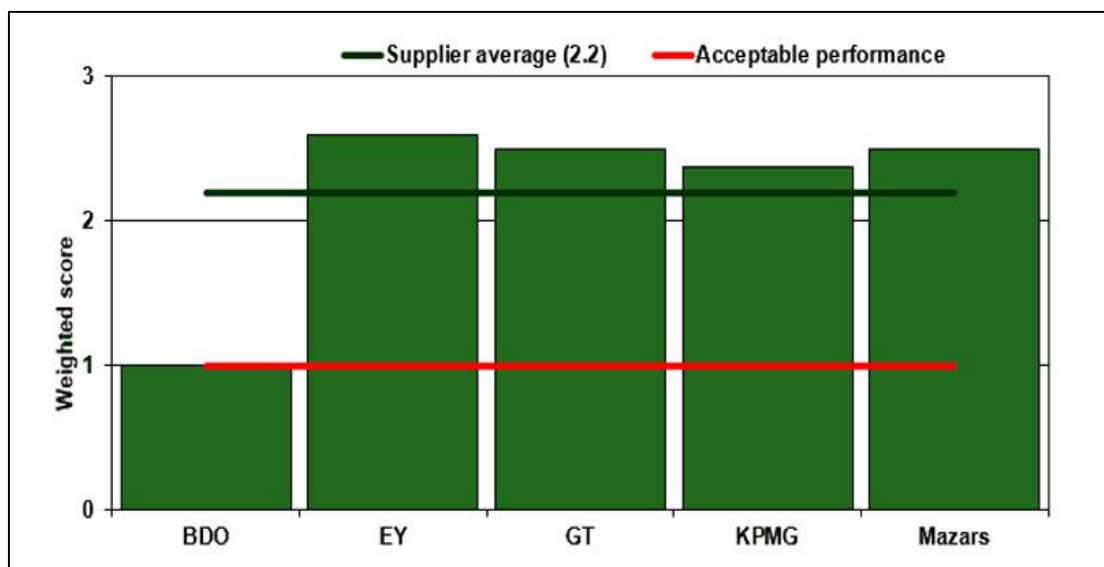
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Finance and Information Services (Section 151 Officer) before seeking any such variation.

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.

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