



Certification of  
claims and returns  
annual report  
2017-18

Portsmouth City Council

February 2019



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Members of the Governance & Audit & Standards Committee

4 February 2019

Portsmouth City Council  
Civic Offices  
Guildhall Square  
Portsmouth  
PO1 2BG

Dear Governance & Audit & Standards Committee Members

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 2017-18 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 reporting accountants 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 2017-18, 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.

This report is intended solely for the information and use of the Governance & Audit & Standards Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the Governance & Audit & Standards Committee meeting on 08 March 2019.

Yours faithfully

Helen Thompson  
Associate Partner  
For and on behalf of Ernst & Young LLP

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This report is made solely to the Governance & Audit & Standards Committee and management of Portsmouth City Council. Our work has been undertaken so that we might state to the Governance & Audit & Standards Committee and management of Portsmouth City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance & Audit & Standards Committee and management of Portsmouth City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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# Housing benefits subsidy claim



## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£102,434,587
Amended/Not amended	Amended – subsidy increased by £43,565 (final certified value £102,478,152)
Qualification letter	Yes
Fee – 2017-18	£21,613
Fee – 2016-17	£17,196

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 reporting accountants to follow a programme of work specified by DWP. Detailed case testing is carried out on an initial sample of 20 cases per benefit type. More extensive '40+' or extended testing is undertaken 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.

We found errors and carried out extended testing in a small number of areas.

Extended and other testing identified errors which the Council amended. They had a net impact, as noted above, of increasing subsidy claimed by £43,565.

We have reported underpayments, uncertainties 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. We include in this report a summary of the main issues we reported in our qualification letter, or which led to agreed amendments to the final subsidy claim, as follows:

### Cross-cutting issue: Debt recovery software system error

- ▶ During the course of the certification, we became aware of a system issue affecting the debt recovery module of Northgate, leading to double-counting of prior year overpayments, which had already been recorded in previous years' subsidy claims.
- ▶ Officers reviewed the entries in prior year overpayment cells in the 2017/18 subsidy claim and confirmed that this issue was present at Portsmouth City Council.
- ▶ The entire population of affected cases was identified, and the full value of the incorrect cell entries quantified.
- ▶ We undertook testing to verify these values, and agreed an amendment to the final subsidy claim, which increased total subsidy by £43,520.

## Housing benefits subsidy claim (continued)

### Non Housing Revenue Account Rent Rebates: Incorrect Classification of Benefit

- ▶ Initial testing identified one error whereby the Council had incorrectly classified benefit paid, as a result of pro-rating the maximum weekly amount applicable to bed and breakfast claims in error. The result was to classify benefit with a value of £30 in a cell attracting nil subsidy, which should have been classified in a cell attracting 100% subsidy. Benefit paid to the claimant was correct.
- ▶ The nature of the error was such that it could only ever lead to under-claim of subsidy by the Council, and as such no further testing was judged necessary. This judgment was agreed with officers.
- ▶ The under-claim identified was reported as an observation in our qualification letter.

### Housing Revenue Account Rent Rebates: Incorrect Pension Income

- ▶ Extended testing was undertaken on a sample of 40 cases to check for correct calculation of pension income, as a result of errors identified in the prior year. No errors of this type were identified in our initial testing in 2017/18.
- ▶ Our extended testing identified one case where pension income had been incorrectly calculated, but this had no impact on benefit paid or subsidy claimed, as the claimant's total income remained below the allowable threshold for maximum benefit.
- ▶ The identified error in pension income was reported as an observation in our qualification letter.

### Housing Revenue Account Rent Rebates: Incorrect Classification of Overpayments

- ▶ Extended testing was undertaken on a sample of 40 cases classified as Local Authority Error/Administrative Delay overpayments, to check for correct classification, as a result of errors identified in the prior year. No errors of this type were identified in our initial testing in 2017/18.
- ▶ Our extended testing identified four cases where overpayments with a total value of £940 had been misclassified and should have been recorded as Eligible (claimant) Error overpayments.
- ▶ The extrapolated impact of the classification errors was £6,497, resulting in overstatement of the Local Authority Error/Administrative Delay cell and understatement of the Eligible Error cell. This was reported in our qualification letter.

### Rent Allowances: Incorrect Self-Employed Earnings

- ▶ Extended testing was undertaken on a sample of 40 cases to check for correct calculation of self-employed earnings, as a result of errors identified in the prior year. No errors of this type were identified in our initial testing in 2017/18.
- ▶ Our extended testing identified one case where self-employed earnings had been incorrectly calculated, resulting in an overpayment of benefit of £430.
- ▶ The extrapolated impact of the overpayment error results in overpayment of subsidy of £92,283. This was reported in our qualification letter.

## Housing benefits subsidy claim (continued)

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### Modified Schemes: Incorrect Disregards

- ▶ Our testing identified one error whereby the Council had not disregarded the Attendance Allowance element of the claimant's war pension prior to applying the local war pension disregard, as required. The result was to classify benefit with a value of £179 under the modified scheme, rather than as standard benefit.
- ▶ As the total population of modified scheme claims was fewer than 100, extended testing was undertaken on the full population. No further errors were identified.
- ▶ An agreed amendment was made to the final subsidy claim, which increased total subsidy by £45.



02

## 2017-18 certification fees





## 2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the PSAA and are available on their website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£21,613	£17,797	£17,196

The indicative scale fee for 2017/18 of £17,797 is based on the final fee charged in 2015/16.

Our final fee for 2017/18 is £21,613, an increase of £3,816, arising from a comparison of the total quantum of work undertaken in 2017/18 compared with 2015/16. In 2015/16, no extended testing was undertaken. In 2017/18, a total of six lots of extended testing were undertaken, either as a result of errors identified in the year, or as a result of prior year errors which the methodology required to be followed up in 2017/18. All other aspects of the work remained the same between the two years. The additional fee is based on the additional auditor hours required in respect of the extended testing, and hourly rates which are stipulated by PSAA.

We have discussed and agreed the overall fee increase with the Director of Finance and Information Technology. The final fee is subject to agreement by Public Sector Auditor Appointments Ltd.

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