

## Item

### EXTERNAL AUDIT REPORT ON CERTIFICATION OF CLAIMS AND RETURNS 2016/17

**To:**

Civic Affairs Committee 14/02/2018

**Report by:**

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**Wards affected:**

None directly affected

## 1. Introduction

- 1.1 This report introduces the Certification of claims and returns annual report produced by Ernst & Young (EY), the Council's external auditor.

## 2. Recommendations

- 2.1 To note the contents of EY's report at Appendix 1, which will be presented at the meeting. EY will also be present at the meeting to present their report and answer any questions.

## 3. Background

- 3.1. EY, as the appointed auditors of the council, undertake certification of the housing benefit subsidy claim. This work was undertaken in accordance with a certification methodology determined by the Department for Work and Pensions.

- 3.2 In addition EY acted as reporting accountants in respect of the Housing Capital Receipts Pooling Return issued by the Department for Communities and Local Government (DCLG). This work did not commence until January 2018 due to delays in EY and DCLG agreeing the terms of the audit work required.

## **4. Implications**

### **(a) Financial Implications**

Covered in the EY audit report

### **(b) Staffing Implications**

None

### **(c) Equality and Poverty Implications**

None

### **(d) Environmental Implications**

None

### **(e) Procurement Implications**

None

### **(f) Community Safety Implications**

None

## **5. Consultation and communication considerations**

None

## **6. Background papers**

No background papers were used in the preparation of this report.

## **7. Appendices**

Appendix 1 – Annual Certification Report 2016-17

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Charity Main, Principal Accountant (Technical and Financial Accounting), tel: 01223 - 458152, email: [charity.main@cambridge.gov.uk](mailto:charity.main@cambridge.gov.uk).

# Certification of claims and returns annual report 2016-17

Cambridge City Council

January 2018

Ernst & Young LLP



Building a better  
working world

The Members of the Civic Affairs Committee  
The Guildhall  
Market Square  
Cambridge  
CB2 3QJ

31 January 2018

Dear Members

## **Certification of claims and returns annual report 2016-17 Cambridge City Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Cambridge City Council's 2016-17 claim.

### **Scope of work**

The Council administers the national housing benefits scheme for the Department of Work and Pensions (DWP) and claims subsidy on amounts paid out. DWP requires an appropriately qualified auditor to certify the Council's claim for subsidy. From 1 April 2015, the duty to make arrangements for certification and to prescribe scales of fees for this work was delegated by DCLG to Public Sector Audit Appointments Ltd (PSAA).

In addition to this, we also acted as reporting accountants in relation to 1 return outside the PSAA's regime.

### **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 £38,130,129. We met the submission deadline and issues issued a qualification letter on 28 November 2017. Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We provided a separate report to the Council in relation to 1 return for the Housing Pooling Return. No significant issues were identified as part of this work. Our work found errors which the Council corrected. The amendments had a marginal effect on the amount payable to the Council.

Fees for certification work is summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by PSAA in March 2016 and are now available on their website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the Civic Affairs Committee on 14 February 2018.

Yours faithfully

Suresh Patel  
Associate Partner  
Ernst & Young LLP  
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Contents

1. Housing benefits subsidy claim & fees .....1

2. Other assurance work .....3

3. Looking forward.....4

# 1. Housing benefits subsidy claim & fees

Scope of work	Results
Value of claim presented for certification	£38,130,133
Amended/Not amended	Amended – subsidy increased by £4
Qualification letter	Yes
Fee – 2016-17	£15,438
Fee – 2015-16	£15,077

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

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. 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. These are the main issues we reported:

## Rent Rebates

One case (total error value £1) was identified in the initial random sample of 20 claims where income had been incorrectly assessed resulting in an overpayment of benefit. No additional errors were identified during the 40+ testing. When extrapolated the estimated error value on the claim was £75.

## Rent Allowance

The testing of the initial sample of 20 cases identified 1 case (total error value £21) where the earned income had been incorrectly assessed resulting in an underpayment of benefit.

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. No additional errors were identified during the 40+ testing. Similar findings were issued in the qualification letter issued last year.

## Rent Rebates

We have undertaken the testing of a random sample of 40 cases selected from a sub population of claims containing income, and identified the following errors:

- ▶ 1 case (total error value £79) where the state retirement pension had been incorrectly assessed resulting in an underpayment of benefit; and
- ▶ 1 case (total error value £31) where the state retirement pension had been incorrectly assessed resulting in an overpayment of benefit.

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. The overpayment has been extrapolated and the estimated impact on the claim is an overpayment of £804.

### Observations

#### Uncashed payments

An amount of £704 has been identified as being shown within Northgate. However, the Authority do not believe this should be included in cell 179 as there are no uncashed cheques corresponding to this amount. The Authority have raised this with Northgate and are awaiting a response. As such, we have not been able to conduct any further work on this.

#### 2016-17 Certification fees

The PSAA determine a scale fee each year for the certification of claims and returns and for 2016-17, these scale fees were published by in March 2016 and are now available on their website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	15,438	15,438	15,077



## **2. Other assurance work**

During 2016-17 we also acted as reporting accountants in relation to the Housing pooling return.

We have provided separate reports to the Council in relation to these returns. This work has been undertaken outside the PSAA regime. The fees for this are £3,750. They are referred to here to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members.

### 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 £15,077. 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/>

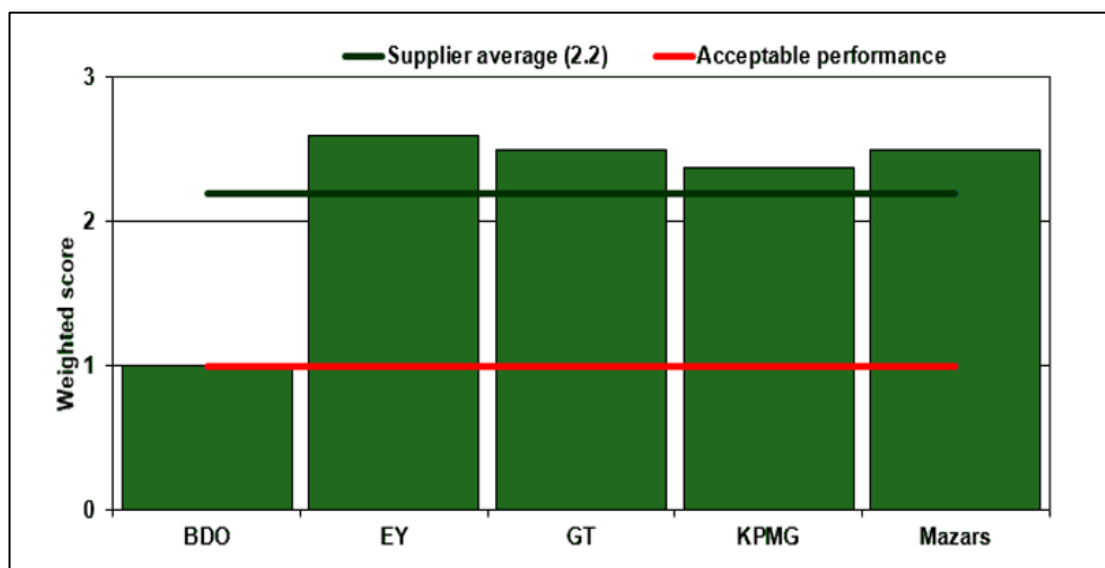
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Resources before seeking any such variation.

#### 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 have also been 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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