

Certification of claims and returns annual report 2015-16

Brighton & Hove City Council

December 2016

Ernst & Young LLP



The Members of the Audit & Standards Committee
Brighton & Hove City Council
Hove Town Hall
Norton Road,
Hove,
BN3 3BQ

December 2016
Ref:

Direct line: 0118 928 1556
Email: pking1@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16 for Brighton & Hove City Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Brighton & Hove City Council's 2015-16 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 2015-16, 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 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £163,299,208. We met the submission deadline. Our initial work identified a number of errors. As a result further testing needed to be undertaken by the Council and reviewed by us. We reported the results of our initial and additional testing to the DWP in a qualification letter. Details of the qualification matters are included in section 2.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 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 Audit & Standards Committee meeting on 10 January 2017.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. King', with a horizontal line underneath.

Paul King
Executive Director
Ernst & Young LLP
Enc

Contents

| | |
|---|----------|
| 1. Housing benefits subsidy claim..... | 1 |
| 2. 2015-16 certification fees..... | 2 |
| 3. Looking forward..... | 3 |

1. Housing benefits subsidy claim

| Scope of work | Results |
|--|--------------|
| Value of claim presented for certification | £163,299,208 |
| Amended/Not amended | Not amended |
| Qualification letter | Yes |
| Fee – 2015-16 | £16,957 |
| Fee – 2014-15 | £18,530 |

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 several areas.

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:

- We identified 1 failure in Non-HRA Rent Rebate cases whereby the Council failed to accurately assess the claimant's weekly income from the evidence provided. We undertook additional 40+ in response to this error, where a further 7 failures were identified. These errors were extrapolated and reported in our Qualification Letter.
- Our initial testing did not identify any failures relating to HRA Rent Rebate cases. However, as errors have been identified in this case type in previous years, we asked the Council to undertake 40+ testing on HRA Rent Rebate cases containing income. This identified 5 failures whereby the claimant's income had been incorrectly assessed. These errors were extrapolated and reported in our Qualification Letter.
- We identified 2 failures in our initial testing of Rent Allowance cases whereby claimant income had been incorrectly assessed. We asked the Council to undertake 40+ testing, which identified a further 5 errors. These errors were extrapolated and reported in our Qualification Letter.
- We identified 3 additional failures in our Rent Allowance testing whereby an overpayment had been incorrectly classified as eligible, when it resulted from Local Authority Error or Administrative Delay. A 40+ sample was tested and a further 2 errors identified. These errors were extrapolated and reported in our qualification letter.

2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

| Claim or return | 2015-16 | 2015-16 | 2014-15 |
|--------------------------------|-----------------|---------------------|-----------------|
| | Actual fee £ | Indicative fee £ | Actual fee £ |
| Housing benefits subsidy claim | 16,957 | 15,957 | 18,530 |

The actual fee for 2015/16 differs to the indicative fee as we were required to undertake additional 40+ testing compared to the 2013/14 year upon which the indicative fee is based. This additional £1,000 is subject to approval by PSAA.

3. Looking forward

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 2016-17 is £13,898. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-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 Executive Director of Finance & Resources before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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