

Certification of claims and returns annual report 2016/17

Ipswich Borough Council

December 2017

Ernst & Young LLP



EY

Building a better
working world

The Members of the Audit and Governance Committee
Ipswich Borough Council
Grafton House
15 – 17 Russell Road
Ipswich IP1 2DE

11 December 2017

Email: ksuter@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016/17 for Ipswich Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Ipswich Borough 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 (DWP) 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 claims with a total value of £51.9 million for the Council. We met the submission deadline. We issued a qualification letter with our submission; the qualification matters are included in section 1.

One amendment was made to the claim on Non-HRA Rent Rebates Modified Schemes which decreased the subsidy claim in Cell 215 by £2,681 to £17,184.

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 next Audit and Governance Committee.

Yours faithfully

Kevin Suter
Associate Partner
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....	1
2. 2016/17 certification fees.....	4
3. Other assurance work	5
4. Looking forward.....	Error! Bookmark not defined.

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£51,963,679
Amended	Yes – £2,681 misstatement in respect of Non HRA Rent Rebates Modified Scheme. Limited impact on subsidy.
Qualification letter	Yes
Fee – 2016/17	£35,462
Fee – 2015/16	£24,844

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. The Council identified errors and carried out extended testing in a number of areas, for which we re-performed a sample of cases.

Summary of errors: 2016/17

Description of Cell	Nature of error
Cell 011: Non HRA Rent Rebates	Testing of the initial sample identified 1 fail due to incorrect rent liability that led to an underpayment of benefit. An additional sample of 40 cases did not identify any fails. No extrapolation is required as the underpayments identified do not impact on subsidy and has not been classified as an error for subsidy purposes. We reported the issue in the Qualification Letter.
Cell 215: HRA Rent Rebates – Modified Schemes	Testing of the initial sample identified one case where the Authority had overpaid the benefits. Testing of an additional sample of 18 cases which is the entire population of the cell did not identify any fails. The error was amended in the claim.

2015/16 Follow up

Description of Cell	Follow up issue
Cell 066: HRA Rent Rebates – Technical Overpayments	In 2015/16 we identified errors where the Authority had misclassified overpayments as Technical Overpayments instead of LA Error/Admin Delay Overpayments (Cell 065). Our 2016/17 testing of

Description of Cell	Follow up issue
	<p>the sub population identified one case where benefit had been overpaid by the Authority calculating an incorrect earned income and one case where the benefits had been underpaid.</p> <p>We reported an extrapolation in the Qualification Letter.</p>
<p>Cell 067: HRA Rent Rebates – Eligible Overpayments</p>	<p>In 2015/16 we identified errors in eligible overpayment misclassification. Our 2016/17 testing of the sub population identified three cases where the Authority had misclassified on the Northgate system overpaid benefit as eligible overpayments instead of LA error/admin delay (Cell 065) and one case where the Authority had misclassified DWP error overpayments (Cell 064) as eligible overpayments.</p> <p>We reported an extrapolation in the Qualification Letter.</p>
<p>Cell 072: HRA Rent Rebates – Prior Year Eligible Overpayments</p>	<p>In 2015/16 we identified errors in respect of earned income calculations performed by the Authority. Our 2016/17 testing of the sub population identified two cases where the benefit had been overpaid by the Authority calculating an incorrect earned income and two cases where the Authority had misclassified prior year overpayments as eligible overpayments (Cell 072) instead of LA error/admin delay overpayments (Cell 070).</p> <p>We reported an extrapolation in the Qualification Letter.</p>
<p>Cell 094: Rent Allowances – Earned Income and Additional Earnings Disregards</p>	<p>In 2015/16 we identified errors in respect of earned income calculations performed by the Authority. Our 2016/17 testing of the sub population identified two cases where benefit had been overpaid by the Authority calculating an incorrect earned income and one case where the benefit was underpaid.</p> <p>We reported an extrapolation in the Qualification Letter.</p>
<p>Cell 114: Rent Allowances – eligible overpayments</p>	<p>In 2015/16 we identified errors in eligible overpayment misclassification. Our 2016/17 testing of the sub population identified two cases where the Authority had misclassified on the Northgate system overpaid benefit as Eligible Overpayment (Cell 114) instead of LA Error/Admin Delay (Cell 113) and one case where the benefits had been underpaid.</p>

Description of Cell	Follow up issue
	We reported an extrapolation in the Qualification Letter.

We have reported underpayments, uncertainties and the extrapolated value of other errors in our Qualification Letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or claw back the benefit subsidy paid.

As the errors were found in November 2017, the Council may have made similar errors in the early part of the 2017/18 financial year. I have therefore recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2017/18.

Issues for the 2017/18 audit

2017/18 issue	Recommendation
Early extended testing	<p>Perform early extended testing in those areas where errors were identified in 2016/17, and continued from 2015/16, to ascertain the extent of similar errors arising in 2017/18.</p> <p>The following were errors which resulted in overpaid benefit</p> <ul style="list-style-type: none"> · Cell 215 HRA Rent Rebates – Modified Schemes · Cell 066 HRA Rent Rebates – Technical Overpayments · Cell 067 HRA Rent Rebates – Eligible Overpayments · Cell 072 HRA Rent Rebates – Prior Year Eligible Overpayments · Cell 094 Rent Allowances – Earned Income and Additional Earnings Disregards · Cell 114 Rent Allowances – Eligible Overpayments <p>The following were errors which resulted in underpaid benefit identified in 2016/17 but the nature of the errors could also equally result in an overpayment.</p> <ul style="list-style-type: none"> · Cell 011 Non HRA Rent Rebates · Cell 113 Rent Allowances – LA error and administrative delay overpayment

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 Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	35,462	35,462	24,884

The indicative fee for 2016/17 is higher than 2015/16 as the latter was based on the final fee for 2014/15 (£45,809) reduced by approximately 25% which reflects the reduction arising from the outcome of the Audit Commission's final tendering exercise.

It has increased from 2015/16 reflecting the number of errors and ongoing level of 40+ and other extended testing undertaken. In our prior year annual certification report we raised the issue of Council offices undertaking the initial testing workbooks as well as performing all 40+ and extended testing, otherwise there was the potential for a significant increase in cost above the indicative fee. We are pleased to report that the Council officers undertook this work, therefore, we were able to maintain the fee at the indicative level.

3. Other assurance work

For 2016/17 we may also be acting as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return

We are continuing to engage with DCLG on the Assurance Instruction for Pooling of Housing Capital Receipts (CFB06) for 2016/17. We will keep the Section 151 officer updated regarding the latest position in respect of this work.

This work is undertaken outside the PSAA regime and the fees for this are not included in the figures included in this report. They are referred to here to ensure to ensure Members have a full understanding of the various returns that the Council prepares and on which we provide some form of assurance.

4. 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 are £24,844. These fees were set by PSAA and are based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:
<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

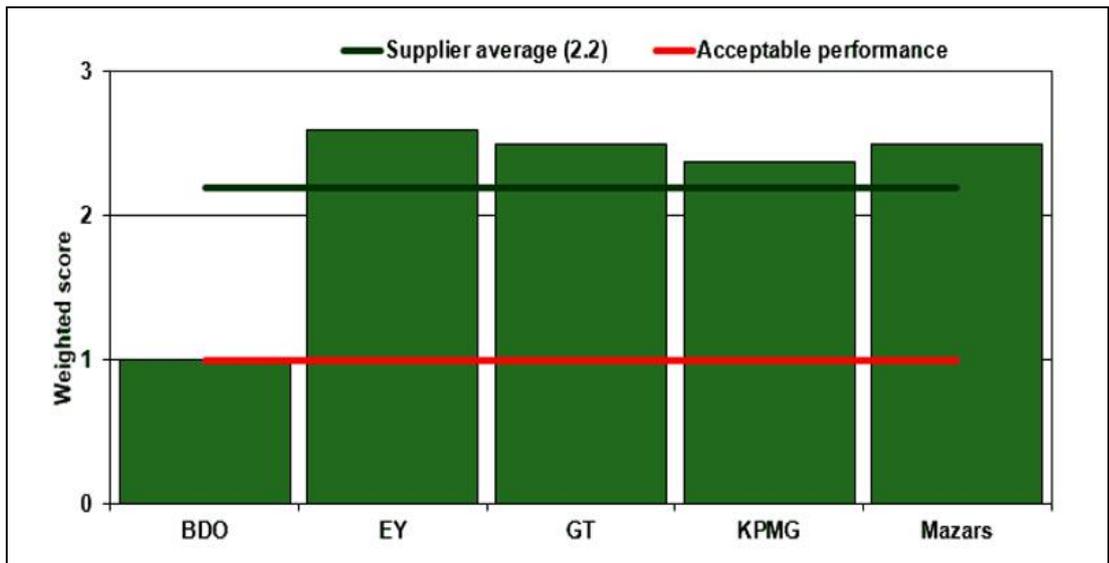
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Assistant Director – Corporate Resources before seeking any such variation.

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.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

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

ey.com