

# Certification of claims and returns annual report 2016/17

Borough Council of King's Lynn & West Norfolk Council

2 February 2018

Ernst & Young LLP



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The Members of the Audit Committee  
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2 February 2018

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Dear Members

## **Certification of claims and returns annual report 2016/17 Borough Council of King's Lynn & West Norfolk**

We are pleased to report on our certification assurance work. This report summarises the results of our work on Borough Council of King's Lynn & West Norfolk 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 claim with a total value of £38,974,106. We met the submission deadline. We issued a qualification letter to the DWP and details of the qualification matters are included in section 1. Our certification work also found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification work is 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](http://www.psaa.co.uk)).



We welcome the opportunity to discuss the contents of this report with you at the 12 February Audit Committee.

Yours faithfully

**Mark Hodgson**  
Associate Partner  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,974,106
Amended/Not amended	Amended - subsidy increased by £181
Qualification letter	Yes
Fee - 2016/17	£22,000
Fee - 2015/16	£18,556
Recommendations from 2015/16	Findings in 2016/17
None	Ensure all new cases and changes in circumstances are assessed under the risk based verification policy, see section 4.

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 identified errors in rent allowance cases and carried out extended testing in the following areas:

- Incorrect income assessment due to incorrect additional income disregard application;
- Misclassification of overpayments between eligible and local authority error; and
- Misclassification of prior year overpayments between eligible and local authority error.

We reported the extrapolated value of these errors in our qualification letter to the DWP.

Extended and other testing identified errors on non-HRA subsidy which the Council amended. This had a small net impact on the claim, increasing subsidy by £181. We also identified a case where standard verification procedures were used rather than risk based verification. While this did not impact the subsidy awarded we are required to report this to the DWP, see section 4 of this report. 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.

## 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's) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016/17	2016/17	201/-16
	Actual fee £'s	Indicative fee £'s	Actual fee £'s
Housing benefits subsidy claim	22,000	23,460	18,556

During 2016/17 the Council performed the initial housing benefit testing for the first time. This has enabled us to return £1,460 of the audit fee (subject to formal approval from Public Sector Audit Appointments Ltd (PSAA)).

The housing benefit subsidy claim certification fee has still increased for Borough Council of King's Lynn & West Norfolk from 2015/16 as the fees, set by the PSAA, are based on the quantum of work performed in previous years. During the 2016/17 audit we have performed work on three additional extended testing samples when compared to the work performed in 2015/16.

### 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 £18,556. 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.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

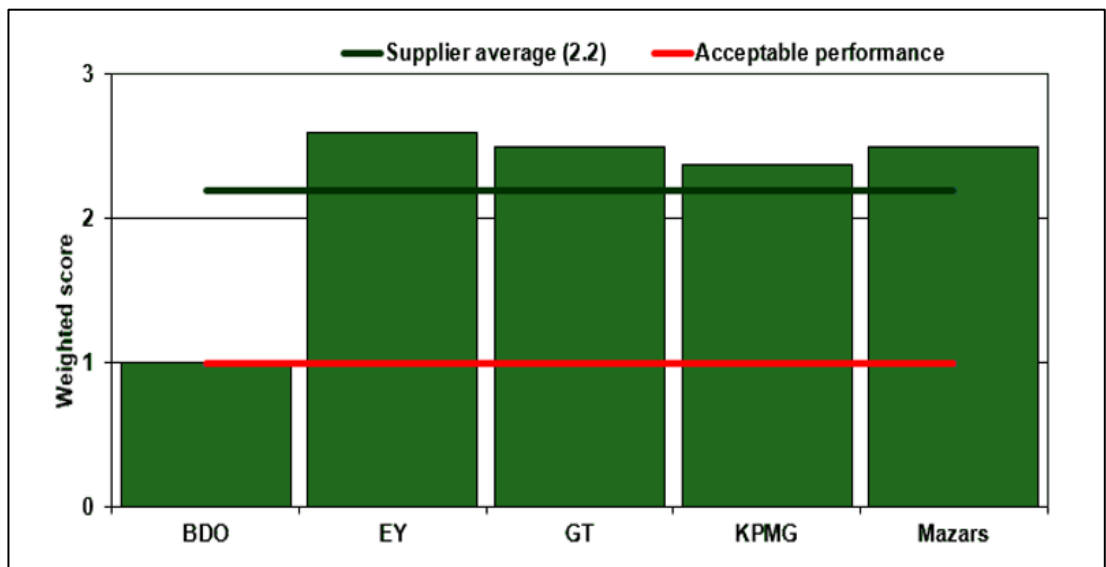
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Executive Director - Finance Services before seeking any such variation.

#### 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 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.

## 4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Housing benefits subsidy claim: Application of risk based verification policy	Medium	As per the Council's policy, all new cases and changes in circumstances should be assessed under the risk based verification policy and not standard verification	31 March 2018	Jo Stanton



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