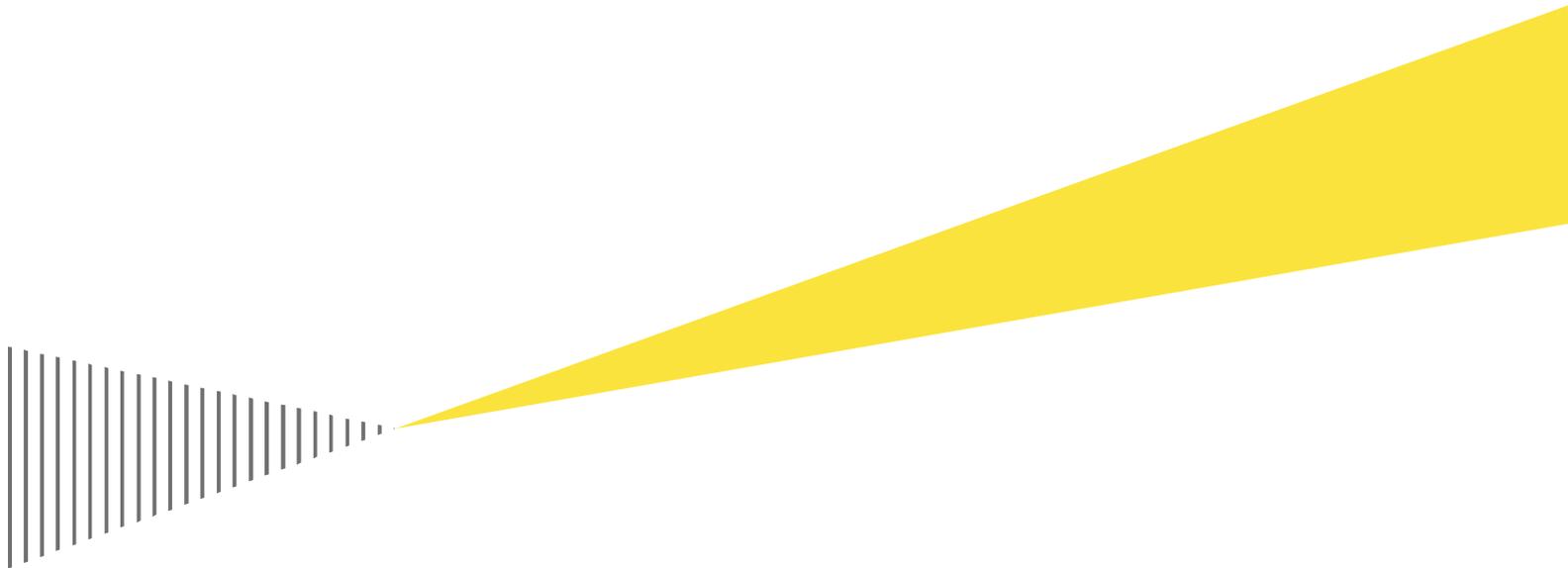


Certification of claims and returns annual report 2016/17

Uttlesford District Council

11 December 2017

Ernst & Young LLP



The Members of the Governance, Audit and Performance Committee
Uttlesford District Council
Council Offices
London Road
Saffron Walden
CB11 4ER

11 December 2017

Ref: UDC 2017

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016/17

Uttlesford District Council

This report summarises the results of our work on Uttlesford Council's 2016/17 claims and returns.

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 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 £16.16 million. We met submission deadline and issued a qualification letter in relation to the housing benefit claim which detailed a number of issues identified as a result of our work. A copy of the qualification letter is included in Appendix A.

Our certification work found some errors which the Council corrected. Rent Rebates (tenants of non HRA properties) the whole population of claims were tested. Rent allowances - termination dates being incorrectly applied, EY selected an additional sample to test of all claims which terminated in the period under review. Rent allowances the incorrect application of child care costs, EY selected an additional sample of all cases which had child care costs.

Rent allowances the use of an incorrect start date when a claim was backdated, EY selected an additional sample of all cases which had backdated start dates. The amendments had a marginal effect on the grant due increasing subsidy by £883.

We followed up the issues identified last year in relation to the housing benefit claim following the completion of our certification work for 2015/16. Further details of our findings are included in section 1 of this report.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2016/17 were published by the Public Sector Appointments Ltd (PSAA) in March 2016 and are 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 Governance, Audit and Performance Committee.

Yours faithfully

Mark Hodgson
Associate Partner
Ernst & Young LLP
Inc

Contents

1. Housing benefits subsidy claim	1
2. 2016/17 certification fees.....	3
3. Looking forward	4

1. Housing benefits subsidy claim

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.

Details of the audit work undertaken in relation to this claim and our findings are summarised below:

Scope of work	Results
Value of claim presented for certification	£16,160,250
Amended	Yes - certified claim increased by £883 to £16,161,133
Qualification letter	Yes
Fee – 2015/16 (Actual)	£22,808
Fee – 2016/17 (Actual)	£19,429
Recommendations from 2015/16:	Findings in 2016/17
In 2015/16 we made the following recommendation: Continue with the agreed actions taken to address the recommendations made in previous years.	Our audit work identified a number of errors as outlined below and in Appendix A. We recommend that the Council continues to ensure that further improvements in the accuracy of processing are achieved.

Our certification work of the housing benefit subsidy claim is undertaken in line with the approach agreed with the DWP, which requires detailed testing of individual benefit cases.

The certification guidance also requires the completion of 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.

Our initial testing in 2016/17 identified:

- 1 underpayment which occurred as a result of incorrectly applied as the child care.
- 1 underpayment which occurred as a result of an incorrect start date when a claim was backdated.
- 1 overpayment which occurred as a result of benefit terminated on the incorrect date.

Based on the above findings and previous years' findings the following extended testing was undertaken:

- Rent Allowances– Income assessment (40 cases);
- Rent allowances – drill down cases with termination within the year (94 cases)
- Rent allowances – drill down cases with child care costs (58 cases)
- Rent allowances – drill down cases backdated claim start dates (17 cases)
- Rent Rebates - Income assessment (40 cases);
- Rent Rebates - Eligible overpayment classification testing (40 cases)
- Rent Allowances – Eligible overpayment classification testing (40 cases)
- Rent Rebates(tenants of non HRA properties) –whole population (44 cases)
- Modified Schemes – whole population (7 cases)

We agreed with the Council that the benefits team would perform most of this additional testing and we would re-perform a sample of the cases to confirm we could place reliance on the Council's work. The outcome of this additional testing and the potential impact on the Council's claim is documented within the qualification letter to the DWP and attached at Appendix A. We would note that the quality of the 40+ testing undertaken by the Council's team was excellent and we were able to place full reliance on it.

We reported underpayments, uncertainties and the extrapolated value of other errors in our qualification letter to the DWP, which is attached at Appendix A. On the basis of the information within the qualification letter, the

DWP will decide on the appropriate course of action, which may include whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid on the basis of the extrapolated figures reported in the qualification letter.

Testing of all the Rent Rebates (tenants of non HRA properties) cases and the drill down sub population testing identified errors which the Council amended. These changes had a small net impact on the claim, increasing the overall subsidy amount due to the Council by £883.

Members may wish to note that although the individual errors identified as a result of audit are small, under the requirements of the Certification Instruction there is no materiality applied to our work on the claim and every error above rounding has to be reported. The errors identified from the sample testing are extrapolated across the total population of cases in our reporting to the DWP. Consequently a small error on individual cases can result in a larger extrapolated error, and potential recovery of subsidy paid to the Council by the DWP.

2. 2016/17 certification fees

The Audit Commission determines a scale fee each year for the audit of claims and returns. For 2016/17, these scale fees were published by the Audit Commission in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2015/16	2016/17	2016/17
	Actual fee £'s	Indicative fee £'s	Actual fee £'s
Housing benefits subsidy claim	£22,808	£19,429	19,429
Total	£22,808	£19,429	19,429

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 2017/18 is £22,808. 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/>

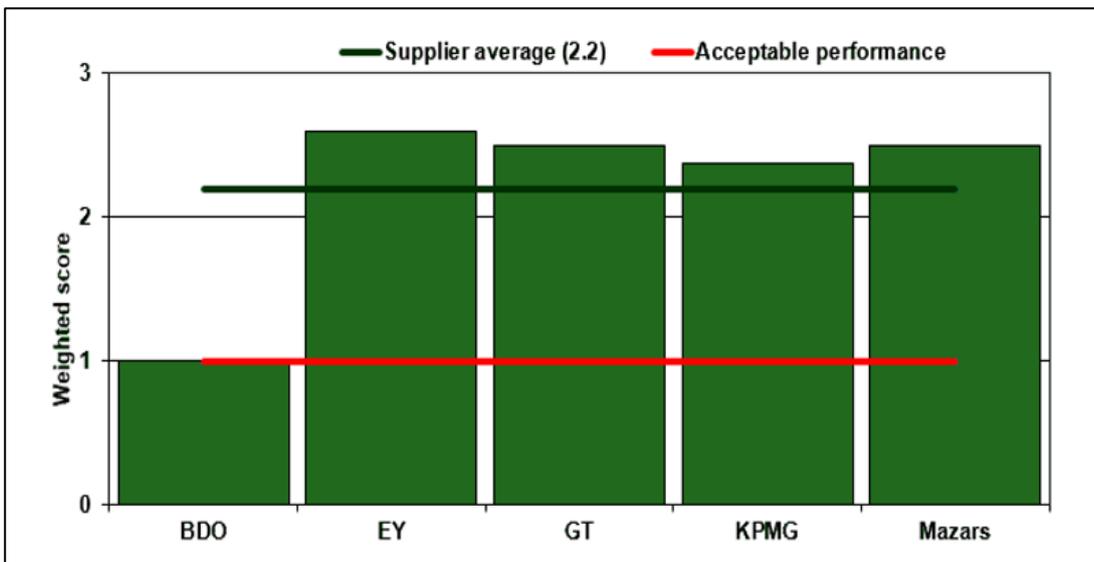
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform you before seeking any such variation.

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.

Looking forward

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