

Report to	Audit committee	Item
	13 March 2018	
Report of	Chief finance officer	5
Subject	Certification of claims and returns annual report 2016-17	

Purpose

This report presents the Certification of claims and returns annual report 2016-17

Recommendation

To review and note the attached report from the council's external auditor.

Corporate and service priorities

The report helps to meet the corporate priority Value for money services and the service plan priority.

Financial implications

As a result of the audit findings no repayment to the DWP is required. This is the best outcome in recent years.

Ward/s: All

Cabinet member: Councillor Kendrick, Resources

Contact officers

Karen Watling, chief finance officer

01604 212440

Background documents

None

Report

Introduction

1. The annual grant certification report from the council's external auditors is appended to this report and summarises the findings from the 2016-17 certification work undertaken on claims and returns in relation to the housing benefits subsidy claim.

Key points to note

2. The committee is asked to note the following significant matters:
 - (a) The housing benefits subsidy claim has been qualified. Details of the qualification are set out in section 1 of the report. Additional work was required by the auditors because of errors found but officers contributed to this work wherever possible to reduce the additional time required to be spent by the auditors and therefore avoided any additional audit fees.
 - (b) Fees for the housing benefits subsidy certification work are summarised in section 2 of the report.
 - (c) No repayment to the DWP is required as a result of the audit findings. In recent years the Council has been required to repay amounts (2015/16 £87,915, 2014/15 £116,766, 2013/14 £258,486).

Recommendation

3. The committee is recommended to review and note the attached report from the council's external auditor.

Certification of claims and returns annual report 2016/17

Norwich City Council

11 December 2017

Ernst & Young LLP



Building a better
working world

The Members of the Audit Committee
Norwich City Council
St Peters Street
Norwich
NR2 1NH

11 December 2017

Direct line: 07541 346507
Email: mhodgson@ey.uk.com

Dear Members

Certification of claims and returns annual report 2016/17 Norwich City Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Norwich City 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 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 £60,897,455. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 3. 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 January 2018 Audit Committee.



Yours faithfully

Mark Hodgson
Associate Partner
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....1

2. 2016/17 certification fees.....2

3. Looking forward.....3

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£60,897,455
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016/17	£29,819
Fee – 2015/16	£35,780

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:

- testing of the initial non-HRA rent rebate sample identified two cases where expenditure had been underpaid as a result of miscalculating the claimant's income. Additional testing identified four further errors of this nature resulting in an underpayment of benefit;
- testing of the initial non-HRA rent rebate sample identified two cases where the Authority had miscalculated the claimant's income with no impact on benefit entitlement;
- testing of the initial non-HRA rent rebate sample identified one case where expenditure had been overpaid as a result of miscalculating the claimant's income. Additional testing identified two further errors of this nature resulting in an overpayment of benefit;
- testing of the initial HRA rent rebate sample did not identify any errors. Additional testing identified one case where expenditure had been underpaid as a result of miscalculating the claimant's income;
- testing of the initial rent allowance sample did not identify any errors. Additional testing identified two cases where expenditure had been underpaid as a result of miscalculating the claimant's income and one case where expenditure had been overpaid as a result of miscalculating the claimant's income;
- testing of the initial non-HRA rent rebate sample did not identify any errors in respect of overpayments. Additional testing identified three errors resulting in eligible overpayments being overstated; and
- testing of the initial HRA rent rebate sample did not identify any errors in respect of overpayments. Additional testing identified one error where the Authority misclassified the overpayment resulting in eligible overpayments being overstated.

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 available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016/17	2016/17	2015/16
	Actual fee £'s	Indicative fee £'s	Actual fee £'s
Housing benefits subsidy claim	29,819	29,819	35,780

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 £35,780. 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/>

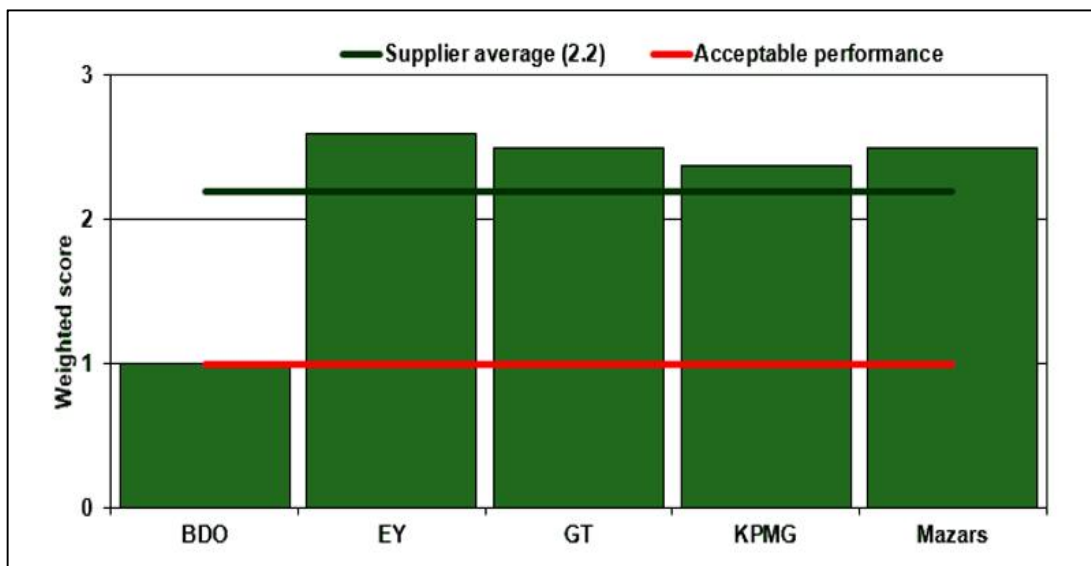
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Finance Officer before seeking any such variation.

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](https://www.ey.com)