

# Certification of claims and returns annual report 2016-17

London Borough of Hillingdon Council

February 2018

Ernst & Young LLP



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Dear Members

## **Certification of claims and returns annual report 2016-17 London Borough of Hillingdon Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on London Borough of Hillingdon 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.

In addition to this, we also acted as reporting accountants in relation to 2 returns outside the PSAA's regime. We note our work and conclusions on these 2 returns in section 2.

### **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 £148,023,462. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. In line with previous years the errors were mainly in respect of the calculation of earnings.

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](http://www.psaa.co.uk)).



We welcome the opportunity to discuss the contents of this report with you at the 11<sup>th</sup> April 2018 Audit Committee.

Yours faithfully

**Maria Grindley**  
Associate Partner  
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# 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£148,023,462
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016-17	£28,725
Fee – 2015-16	£24,445

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.

Extended and other testing identified errors. 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:

## Cell 11 – Non-HRA:

Testing of the initial sample identified:

- 1 case which failed due to the incorrect assessment of earned income. This resulted in an overpayment. In line with the protocol extended 40+ testing was completed on an extended sample of 40 Non-HRA cases with earned income.
- 2 cases which failed due to the incorrect classification. This error type had no impact on subsidy and in line with guidance did not require any extended 40+ testing.

## ***Incorrect assessment of Earned Income***

As a result of errors on earned income which had been identified in the previous year and in line with the protocol extended 40+ testing was completed on an extended sub-population of 40 Non-HRA cases with earned income. This identified the following:

- 2 cases where the authority had overpaid benefit as a result of incorrect calculation of weekly earnings;
- 2 cases where the authority had underpaid benefits as a result of incorrect calculation of weekly earnings.

This resulted in an extrapolated error of £2,351. We have reported these observations to the DWP in a qualification letter.

### **Cell 55 – HRA:**

Testing of the initial sample identified:

- 1 case which failed due to an issue identified with Pensions Credit Savings Credit (PCSC). Further investigation of this error identified that the error arose from a bug within the system which was subsequently fixed by the software provider. There were a total of 62 cases impacted as a result of this issue with all cases impacted being amended as part of the 17/18 subsidy claim.

#### ***Incorrect assessment of Earned Income***

Due to errors from the prior year on earned income, the LA went straight to 40+ on an extended sub-population of HRA earned income cases. Testing of an additional sample of 40 cases identified the following:

- 5 cases failed, 2 of which were where the Authority had overpaid benefit as a result of incorrect calculation of weekly earnings.

This resulted in an extrapolated error of £41. We have reported these observations to the DWP in a qualification letter.

### **Cell 94 – Rent Allowances:**

Testing of the initial sample identified:

- 4 cases failed due to incorrect calculation of earned income. None of the errors identified resulted in an overpayment.
- 1 case failed due to incorrect categorisation of joint tenancy status. This resulted in an overpayment.

#### ***Incorrect assessment of Earned Income***

Due to errors from the prior year on earned income, the LA went straight to 40+ on an extended sub-population of Rent Allowance earned income cases. Testing of an additional sample of 40 cases identified the following:

- 7 cases failed of which 2 were where the Authority had overpaid benefits as a result of incorrect calculation of weekly earnings.

This resulted in an extrapolated error of £6,040. We have reported these observations to the DWP in a qualification letter.

#### ***Incorrect assessment of Joint Tenancy***

- No further errors were identified as a result of our extended testing.

The error identified from the combined population of the initial sample and extended sample resulted in an extrapolated error of £21,373. We have reported these observations to the DWP in a qualification letter.

## 2. Other assurance work

During 2016-17 we also acted as reporting accountants in relation to the following schemes:

- ▶ Teachers pensions
- ▶ Housing pooling return

This work has been undertaken outside the PSAA regime. The fees for this are included in the figures in Section 3. They are referred to here to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members. Both of these claims were certified without any amendments.

### 3. 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)). The scale fees relevant below are only in respect of the housing benefits subsidy claim. The other claims and returns noted below are outside of the PSAA arrangement and so these fees were agreed separately with key officers and separate engagement letters signed.

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£28,725	£28,725	£24,445
Teacher's Pension	£10,000	£10,000	£8,000
Housing Capital Receipts	£6,000	£6,000	£4,500



## 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 is £24,445. 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/>

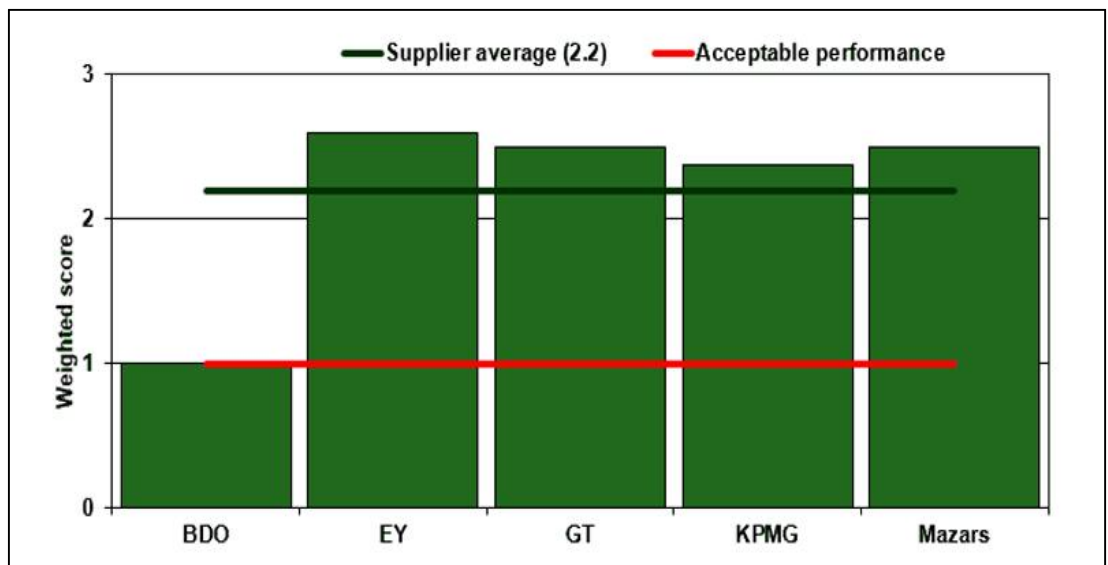
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Corporate Director of Finance before seeking any such variation.

### 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 were also 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.

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