

7 March 2019

Report of	Assistant Director of Policy and Corporate	Author	Margaret Donaldson ☎ 282338
Title	Certification of Claims and Returns - External Audit Annual Report 2017/18		
Wards affected	Not applicable		

## 1. Executive Summary

- 1.1 This report summarises the outcome of the External Auditor's certification work on the Council's claims and returns for 2017/18; and highlights any significant issues.
- 1.2 The Council's external auditors are required to certify two returns for the Council each financial year:
  - the Housing Pooling return, and
  - the Housing Benefit Subsidy claim.
- 1.3 The Housing Benefit Subsidy claim totals £53m approximately and the Housing Pooling return includes capital receipts of £4.3M approximately.
- 1.4 The external auditors Certification of Claims and Returns report for 2017/18 as at December 2018 is included at Appendix A to this report.

## 2. Recommended Decision

- 2.1 To note and comment on the contents of the 2017/18 certification claims and returns annual report and qualification letter, issued by the Council's external auditors Ernst & Young(EY).
- 2.2 To note the subsequent Department for Work and Pensions (DWP) letter of 13 February 2019.

## 3. Reason for Recommended Decision

- 3.1 The Accounts and Audit Regulations require the Council to consider this report as part of financial governance in relation to the Statement of Accounts.

## 4. Alternative Options

- 4.1 Not applicable.

## **5. Background Information**

5.1 In addition to providing an opinion on the Council's Statement of Accounts for 2017/18, the Council's external auditors are required to audit and certify the following claims:

- the Housing Pooling return, and
- the Housing Benefit Subsidy claim.

5.2 External Audit are required to report to this committee the findings of their audit work. Their report is included at Appendix A.

## **6. Housing Pooling Return**

6.1 The Housing Pooling return audit was undertaken in January 2019, and there has been no changes to the claim because of the audit work undertaken. The return has been certified by the auditors and returned to the Ministry of Housing, Local Government and Communities.

## **7. Housing Benefit Claim**

7.1 The scope and related testing undertaken to certify the claim is detailed at Page 5 of the audit report. The testing involved a sample of 60 cases out of a population of approximately 10,000; with total errors of £1,874 being identified. This was extrapolated over most of the caseload population to establish an adjustment of £280k. Because of errors identified in testing and associated extrapolation, EY have issued a qualification to the claim, as detailed in their letter at Appendix B to the DWP.

7.2 Subsequently, the Council made representation to the DWP. These representations focused on the numbers of cases tested, the rate of error found, and the subsequent extrapolation calculated. The Council considered a more reflective sample of cases could be identified without the need for extrapolation across the headline subsidy cell.

7.3 The DWP have now proposed that that additional testing is undertaken, as detailed at Appendix C. This will require the auditors to conduct further testing under Module X; the estimated audit fees being £4k. The work needs to be undertaken and agreed by 6 May 2019. Upon completion of this work a final decision will be reached by the DWP in respect of the 2017/18 subsidy claim.

7.4 The nature of Housing Benefit subsidy carries inherent risk to an organisation. This is due to the large sums involved and the fact that extrapolation maybe required in any audit process. Quality and Assurance checking is an inherent part of the processing teams' function to try and minimise error and maximise subsidy.

7.5 In respect of the 2018/19 subsidy claim the auditor will be BDO and meetings are scheduled to detail the current position on the 2017/18 claim and to plan the testing regime for the 2018/19 subsidy claim.

7.6 An update on the financial impact as a result of the additional testing will be reported to Scrutiny in June 2019, as part of the 2018/19 Outturn report.

## **8. Standard References**

8.1 There are no references to the Strategic Plan; consultation or publicity considerations or community safety; health and safety, risk management and Equality, Diversity and Human Rights implications.

## **9. Financial implications**

- 9.1 The fee for the additional audit work is estimated to be £4k and will be funded from within the service budget. The Council has made provision within its balances of £300k to cover the risk of a potential repayment to the DWP.

## **Appendices**

Appendix A – Certification of Claims and Returns Annual Report 2017/18.

Appendix B – Ernst & Young qualification letter to DWP in relation to the 2017/18 Housing Subsidy Claim.

Appendix C – DWP letter of 13 February 2019.