

Certification of claims and returns annual report 2016-17

Colchester Borough Council

December 2017

Ernst & Young LLP



The Members of the Governance and Audit Committee
Colchester Borough Council
33 Sheepen Road
Colchester
Essex
CO3 3WG

11 December 2017

Ref: KS/HB17/CBC
Direct line: 07876 397986
Email: ksuter@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Colchester Borough Council

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

In addition to this, we also act as reporting accountant in relation to the CFB06 return which is outside the PSAA's regime.

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 £55,109,465. We met the submission deadline. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in section 1.

We made no recommendations in the prior year and have made one recommendation this year, set out in section 5.



Fees for certification and other returns work are 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).

We welcome the opportunity to discuss the contents of this report with you at the 16 January 2018 Governance and Audit Committee.

Yours faithfully

Kevin Suter
Associate Partner
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim	1
2. Other assurance work.....	2
3. 2016-17 certification fees.....	3
4. Looking forward	4
5. Summary of recommendations.....	5

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£55,109,465
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016-17	£15,450
Fee – 2015-16	£13,640
Recommendations from 2015-16	Findings in 2016-17
None	The Council should formally review their risk based verification policy on an annual basis. Further details of these findings are included in section 5

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 year's claims. We found errors and carried out extended testing in one area – the input and calculation of rent allowance case details.

This 40+ testing resulted in a further six errors. Therefore, we reported the outcome in a qualification letter, with an extrapolated error of £75,278.

There were no errors identified that resulted in an amendment to the claim form.

We also reported that the Council's risk based verification policy had not been formally reviewed during 2016-17. The review of this policy has been included as a recommendation in section 5 of this report.

2. Other assurance work

During 2016-17 we will also act as reporting accountant in relation to the following scheme:

- Housing pooling return

This work is due to commence in January 2018 when we will provide a separate report to the Council in relation to this return. This work will be undertaken outside the PSAA regime. The proposed fee for this is 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.

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).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	15,450	19,455	13,640
Housing pooling return		5,000	5,000

The housing benefit subsidy claim certification fee has increased for Colchester Borough Council from 2015-16 as the fees, set by the PSAA, are based on the quantum of work performed in previous years.

During 2016-17 the Council performed the initial housing benefit testing for the first time. This has enabled us to return £4,005, approximately 20%, of the audit fee.

Note that the reduction to the housing benefit subsidy fee is still subject to approval by PSAA.

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 £13,640. 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/>

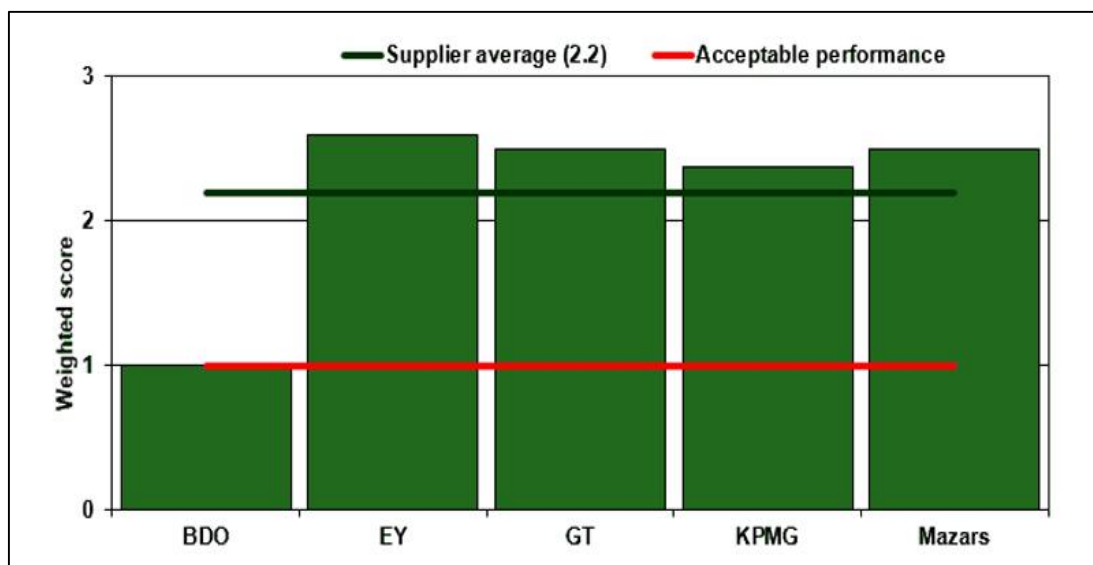
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Strategic Finance Manager before seeking any such variation.

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. Although we do not expect to be appointed by PSAA in December 2017 as your statutory auditor we can still provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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).



5. 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: Risk based verification policy.	Medium	As per the Housing Benefit and Council Tax Benefit Circular S11/2011 paragraph 15, the Council's risk based verification policy should be reviewed annually. The Colchester Borough Council risk based verification policy was not formally reviewed during 2016-17. We recommend that the policy is formally reviewed during 2017-18.	31 March 2018	Sean Plummer

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)