

Certification of the Housing Benefits Subsidy Claim 2018/19

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.

Until 2017/18, the duty to make arrangements for the certification of the Council's housing benefits subsidy claim 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.

From the 2018/19 year, the Council has been required to make its own arrangements for future certification work, requiring a tri-partite agreement between the Council, the Department for Work & pensions (DWP) and an approved reporting accountant. The Council has engaged Ernst & Young LLP (E&Y) to undertake this work for the years ending 31 March 2019 to 31 March 2023.

The reporting accountant is required to follow a methodology of specific test requirements on a defined sample basis determined by the DWP and does not undertake an audit of the claim. E&Y completed their certification work to meet the submission deadline of 30 November 2019 and submitted their report to the Council.

The following key points have been taken from their report in order to brief Members:-

Scope of work	Results
Value of claim presented for certification	£45,778,895 Adjusted to £45,777,200
Amended / Not Amended	Amended
Qualification Letter	Yes
Fee – 2018-19	£10,379 (subject to additional fees for 40+ testing required)
Fee – 2017-18	£10,100

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work & pensions (DWP) towards the cost of benefits paid.

A standard methodology is followed for testing each benefit type, typically an initial sample of 20 cases. 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+ or extended testing may also be carried out as a result of errors that have been identified in the review of previous years' claims.

Ernst & Young's initial sampling identified the following:-

Error(s)	Results
One case was identified where child care costs were calculated incorrectly resulting in an overpayment of benefit	Additional work was undertaken on the (very small) whole population and an adjustment was made to the claim form
One case was identified where incorrect War Disablement Pension (WDP) was used resulting in an overpayment of benefit	Additional work was undertaken on the (very small) whole population and an adjustment was made to the claim form
One case was identified where WDP was incorrectly entered resulting in an overpayment of benefit	

As a result of the above errors identified the claim was adjusted by £1695.

Additional testing was also undertaken on the calculation of earned income. Although no cases were identified in the initial testing an additional sample of 40 cases was tested, as errors were identified with this area in the testing of the 2017/18 claim.

Error(s)	Results
Seven cases were identified with small errors resulting in over or underpayment	The errors were extrapolated across the relevant cell population
As a result, an extrapolated understatement figure of £15,470 has been reported to the DWP who will decide upon any action to be taken. (NB – even if this is adjusted it is within the allowable local authority error threshold applied and the Council will not 'lose' this money)	

Conclusion

Although the testing has identified a small number of errors resulting in a qualification letter and a small adjustment to the claim submitted to the DWP, the values involved are extremely small in relation to the total amounts handled by the Council and Benefits staff should be commended for the results.