

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Grant Certification 2017/18

Meeting/Date: Corporate Governance Committee – 27th March 2019

Executive Portfolio: Strategic Resources: Councillor J A Gray

Report by: Benefits Systems & Development Manager

Ward(s) affected: All Wards

Executive Summary:

In 2017/18, the Council received over £32.8m in Housing Benefit (HB) grant from central government. This grant is subject to external audit as part of the control framework. The Council's auditors, Ernst & Young, complete this work.

The auditors are required to report their findings to 'those charged with governance' through the Annual Certification Report. This report is attached at Appendix 1.

Minor errors were identified which resulted in some additional testing and a qualification letter was subsequently produced for the Department for Work and Pensions (DWP). The errors identified resulted in minor amendments to the amount of grant due.

Recommendation(s):

It is recommended that the Committee comment on the content of the external auditor's Annual Certification Report 2017/18.

1. PURPOSE OF THE REPORT

- 1.1 To report to the Committee, as those charged with governance, the conclusions and recommendations of the Annual Certification Report 2017/18.

2. BACKGROUND

- 2.1 In 2017/18, the Council received over £32.8m of Housing Benefit grant. This grant is subject to external audit by the Council's appointed external auditor – Ernst & Young. The findings are required to be reported to 'those charged with governance', which is the Corporate Governance Committee. The report from Ernst & Young is attached as Appendix 1.

3. ANALYSIS

- 3.1 The testing performed by the Council's external auditor identified several errors which are detailed below:

- i. No issues were identified from testing of the initial random sample of 20 Rent Allowance claims. However, as issues were noted in 2016/17, an additional random sample of 40 cases were selected relating to earned income cases and the following errors were noted:

- 3 cases with errors totalling £14 where earned income had been incorrectly assessed resulting in an overpayment of benefit. The net impact of extrapolating these errors across the various subsidy cells was zero as local authority error overpayments also attract full subsidy.
- 6 cases with a total error of £155 where earned income had been incorrectly assessed resulting in an underpayment of benefit. However, although the underpayments were reported in the qualification letter to the Department for Work and Pensions, it was not recorded as an error as the underpayment had not been paid to the claimant and therefore had no impact on subsidy.

The net financial impact on subsidy after extrapolating the findings above was to decrease the amount paid to the Council by £90.

- ii. No issues were discovered in the initial sample relating to the classification of eligible overpayments. However, in the prior year, errors were discovered in this respect which resulted in additional testing for 2017/18. From the additional testing, two cases with a total error value of £8 were identified where LA Error overpayments had been incorrectly classified as eligible. Overpayments are classified in terms of which person is deemed to have made the error or delayed in notifying a change in a claimant's circumstances, and this can impact the amount of subsidy due.

The net financial impact of extrapolating the two errors totalling £8 was to increase the amount due to the Council of £203.

Therefore, the total financial impact on the claim as a result of the errors set out in points i and ii above was an increase in subsidy due to HDC of £113. This amount has been confirmed by the DWP.

The total value of the 2017/18 errors is £169 (£14 + £155). When compared to:

- the total benefits subsidy of £32.8m, the error is minimal.
- the preceding year the total error was £424.97, therefore the 2017/18 error is not out of line and is actually lower.

4. KEY IMPACTS

- 4.1 Members should note that there is no materiality on external audit grant certification work for the DWP. If an error is identified, the audit instructions require that additional testing must be undertaken.
- 4.2 However, the additional testing carried out this year did not result in an increase in charges to HDC. The actual fee for 2017/18 amounted to £18,136 which agreed to the indicative figure quoted. The actual fee for 2016/17 was £17,522 meaning 2017/18 charges were overall £614 higher.
- 4.3 Members should also note that the HB subsidy audit arrangements have changed from the financial year 2018/19 onwards. Following the abolition of the Audit Commission since March 2015, responsibility for the certification of HB subsidy claims was given to Public Sector Audit Appointments Ltd (PSAA Ltd) for a temporary period. The arrangement with PSAA Ltd expired in March 2018 and local authorities were then responsible for appointing their own auditors for HB grant certification.
- 4.4 Following a successful procurement exercise completed in July 2018, Ernst & Young were awarded the contract as the reporting accountant for Housing Benefit Subsidy Assurance for the financial years from 2018 to 2021.

5. WHAT ACTIONS WILL BE TAKEN

- 5.1 The Benefits Section undertakes on-going accuracy checks and carries out regular training sessions for the team in order to minimise the number of errors and this process will continue. Within the context of the overall claim, the number and value of the errors identified are minimal.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Annual Certification Report is a regulatory requirement. By maximising the amount of subsidy HDC is able to claim links to the Council's objective of 'becoming more efficient and effective in the way we deliver services'.

7. RESOURCE IMPLICATIONS

- 7.1 As the actual audit fees are the same as the indicative figures provided, there are no additional resource implications.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The findings from the Annual Certification Report are required to be reported to those “charged with governance”, which is the Corporate Governance Committee.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Annual Certification Report 2017/18

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