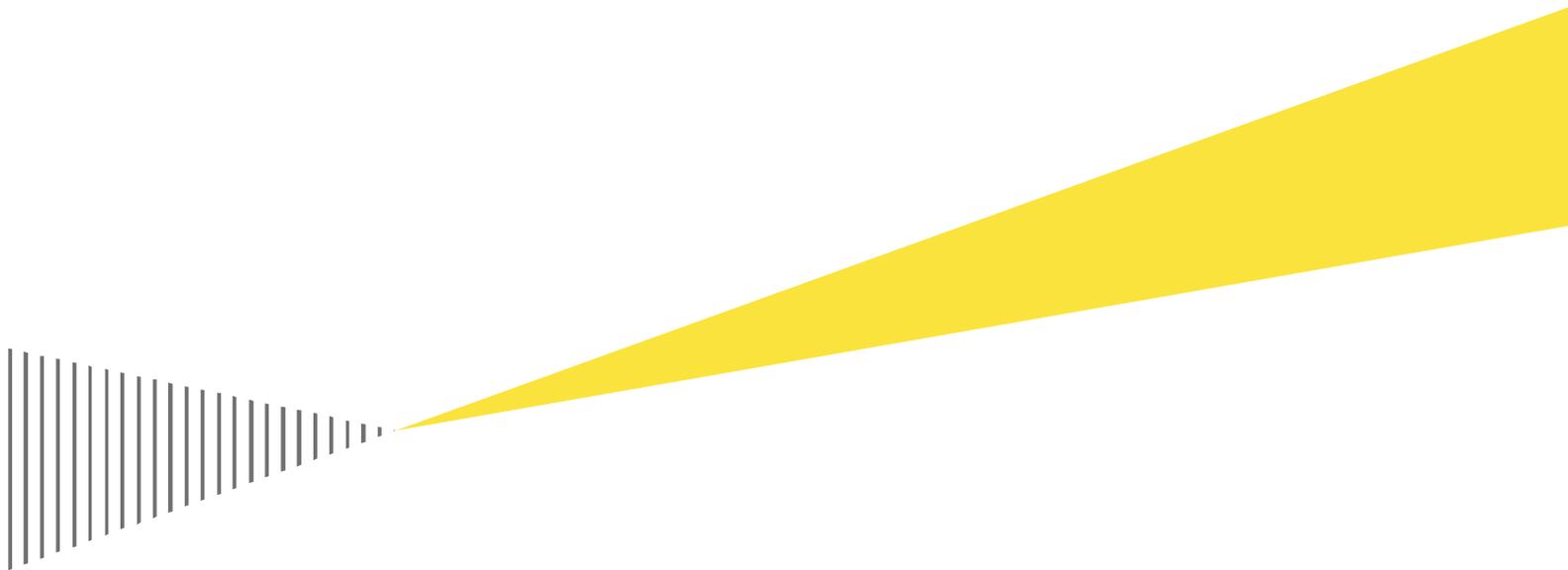


Certification of claims and returns annual report 2016-17

Peterborough City Council

17 January 2018

Ernst & Young LLP



The Members of the Audit Committee
Peterborough City Council
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17 January 2018

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Dear Members

Certification of claims and returns annual report 2016-17 Peterborough City Council

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

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 £69,845,507. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

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).

We welcome the opportunity to discuss the contents of this report with you at the February 2018 Audit Committee.



Yours faithfully

Suresh Patel
Associate Partner
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£69,845,507
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2016-17	TBC (scale fee is £14,055)
Fee – 2015-16	£13,619

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 authorities 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.

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 our further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- testing of the initial rent allowance sample identified two cases where expenditure had been overpaid as a result of miscalculating the claimant's income. Additional testing identified three further errors which led to an overpayment of benefit;
- testing of the initial non-HRA sample identified no errors as a result of miscalculating the claimant's income. Additional testing identified one error of this nature resulting in an overpayment of benefit and two errors of this nature resulting in an underpayment of benefit.
- testing of the initial non-HRA sample identified two cases where expenditure has been overpaid and one case where expenditure had been underpaid as a result of incorrect rental figure being used. Additional testing identified one further errors of this nature resulting in an overpayment of benefit.

2. 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	TBC	14,055	13,619

There will be an additional audit fee for 2016-17. The guidance sets out that the Council is responsible for completing the 40+ testing. However, we undertook this testing ourselves as the Council preferred us to do it. It was a significant amount of additional testing, and it involved some complex cases. We are currently agreeing the additional fee with PSAA.

In addition, due to the size of the extrapolations in the qualification letter, the DWP contacted the Benefits Manager on 21 December 2017 and offered the Council the opportunity to carry out further testing to be able to reduce the extrapolated error and/or identify a quantifiable amendment to the claim. This work will need to be checked by us and we will also need to agree the amount of any claim amendment or revised extrapolations. We are currently working closely with the Benefits Manager to agree a process for this work, and the DWP are expecting a response by mid-February.

We will report any relevant updates on this position to the next Audit Committee along with the final fee.

3. 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 £13,619. 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.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

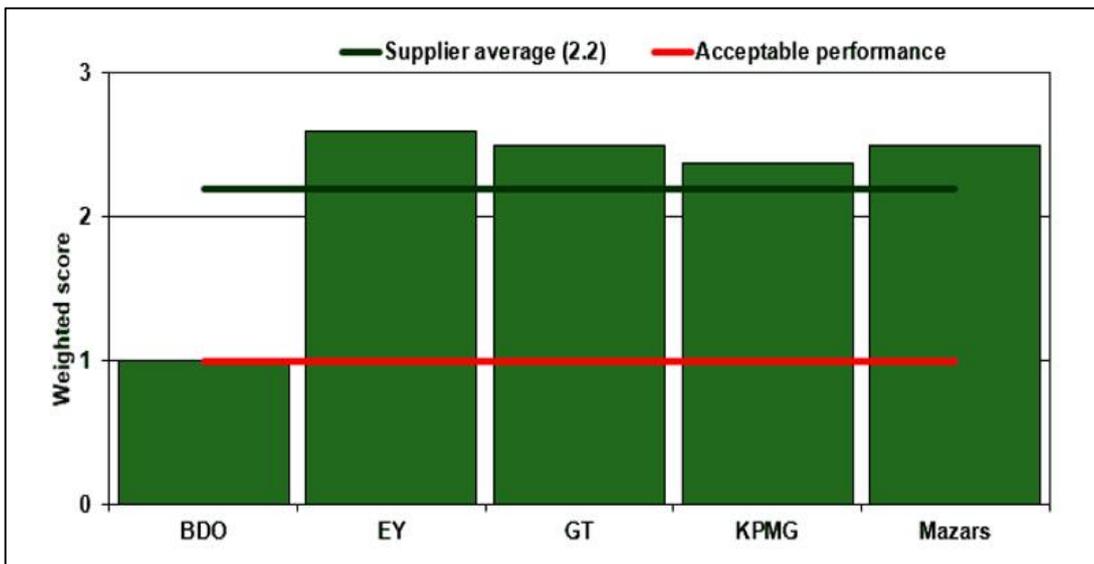
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Corporate Director before seeking any such variation.

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 have again been appointed by PSAA 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.

Looking forward

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