



Certification of
claims and returns
annual report
2017-18

December 2018



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Private and Confidential
Governance Committee Members
Southampton City Council
Civic Centre
Southampton, Hampshire, SO14 7LY

December 2018

Dear Governance Committee Members

Certification of claims and returns annual report

We are pleased to report on our certification work. This report summarises the results of our work on Southampton City Council's 2017-18 Housing Benefit subsidy claim.

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 reporting accountants 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 2017-18, 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.

This report is intended solely for the information and use of the Governance Committee and management of Southampton City Council, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you.

Yours faithfully

Helen Thompson
For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance Committee and management of Southampton City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance Committee, and management of Southampton City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance Committee, and management of Southampton City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£91,679,543
Amended/Not amended	Amended – final value of claim £91,679,918. Subsidy increased by £375.
Qualification letter	Yes

Local Government administers the Government's housing benefits scheme for tenants and claims subsidy from the Department for Work and Pensions (DWP) towards the cost of benefits paid to claimants. We certify that subsidy claim.

The certification guidance requires auditors to complete specified procedures and undertake more extensive '40+' or extended testing if:

- initial testing identifies errors in the calculation of benefit or compilation of the claim; or
- our cumulative knowledge and experience from prior year certifications gives us reason to expect errors in specific areas.

Our initial testing identified minor issues related to claim compilation. The final claim was amended to correct these issues, increasing the value of the claim by £375. No other errors were detected.

We performed extended testing on Rent Allowance (RA) and Housing Revenue Account Rent Rebate (HRA RR) cases as a result of errors in the calculation of claimant earnings in 2016-17. These errors were reported to you in our 'Certification of claims and returns annual report 2016-17', dated December 2017.

In 2017-18, we tested a further 40 cases of each benefit type which had claimants with earnings. This extended testing identified the following errors:

- HRA RR - four cases (total error value £301) where the Authority overpaid benefit and four cases where the Authority had underpaid benefit as a result of errors in calculating earnings; and
- RA - six cases (total error value £183) where the Authority overpaid benefit and seven cases where the Authority had underpaid benefit as a result of errors in calculating earnings.

We reported these matters in our qualification letter to the Department of Work and Pensions (DWP). We are required to provide the DWP an extrapolation (or estimate) of the total impact of these overpayments. The extrapolated value of housing benefit overpayments was £11,169 and £10,795 for RA and HRA RR cases respectively.

The DWP is then responsible for deciding whether to ask the Council to carry our further work to quantify the exact value of the error or to claw back any benefit subsidy they consider to be overpaid.



02

2017-18 certification fees





2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psaa.co.uk).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	19,524	19,524	15,208*

* the 2016-17 fee was reduced by 20% from £19,005 as a result of the Council agreeing to perform some of the initial testing themselves. We did sufficient checking to satisfy ourselves that this testing was appropriately performed. This approach was reported to the Governance Committee in April 2017 as part of our progress report. In 2017-18, the Council decided not to undertake this initial testing themselves due to the level of resource needed to complete it. For this reason the fee has remained at the scale fee.

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