

# Certification of claims and returns annual report 2016-17

Merton Council

February 2018

Ernst & Young LLP



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working world

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Dear Members

## **Certification of claims and returns annual report 2016-17 Merton Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Merton Council's 2016-17 claims and returns.

### **Scope of work**

The Council administers the national housing benefits scheme for the Department of Work and Pensions (DWP) and claims subsidy on amounts paid out. DWP requires appropriately qualified auditors to certify the Council's claims for subsidy.

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. DWP prescribes instructions which we adhere to and form the basis of the work included in this report.

In addition, the Council also engaged us as reporting accountants in relation to the Teacher's Pension return, 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 £87.56m. We met the submission deadline, issued a qualification letter and include details in Section 1. We found errors which the Council corrected but with only a marginal effect on the grant due.

We provided a separate report to the Council in relation to the Teachers' Pension return with a total value of contributions paid of £13.76m. We did not identify any significant issues from this work that need to be brought to the attention of Members.

We summarise fees for certification and other returns work in section 3. The housing benefits subsidy claim fees for 2016-17 were set by PSAA and published on its website ([www.psaa.co.uk](http://www.psaa.co.uk)).



We welcome the opportunity to discuss the contents of this report with you at the 15 March Standards and General Purposes Committee.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'S. Patel'.

Suresh Patel  
Associate Partner  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£87,555,548
Amended/Not amended	Amended – subsidy reduced by £315 to 87,555,233.
Qualification letter	Yes
Fee – 2016-17	£30,555
Fee – 2015-16	£41,242

Recommendations from 2015-16	Findings in 2016-17
None	Our findings are set out below. No recommendations have been made.

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. Our initial testing identified errors in the calculation of benefit awarded.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. 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 out further work to quantify the error or to claw back the benefit subsidy paid.

These are the main issues we reported which all related to the award of rent allowance:

We identified a case where the non-dependent deduction used in the calculation of benefit entitlement had been incorrectly calculated based on the information provided by the claimant. This resulted in an underpayment. As errors in assessing the level of non-dependent deduction could result in overpayments an additional random sample of 40 cases was tested. This identified a further 5 cases where non-dependent deduction had been incorrectly calculated. 3 of those cases led to an overpayment of benefit. The total value of the actual errors detected was £661. The impact of the extrapolated errors on the claim would be to increase related overpayments by £45,466.

We identified one case where an incorrect start date was used in the assessment of self-employed income used to determine benefit entitlement based on the evidence provided by the claimant. This resulted in an overpayment of benefit. As the error has resulted in an overpayment, an additional random sample of 40 cases was tested. This identified a further 4 cases where an incorrect start date was used in the assessment of self-employed income. 2 of those cases led to an overpayment of benefit. The total value of the actual errors detected was £1,298. The net impact of the extrapolated errors on the claim would be to increase related overpayments by £53,335.

We identified three cases with an incorrect calculation of self-employed income used to determine benefit entitlement based on the evidence provided by the claimant. All 3 cases resulted in an underpayment of benefit. As errors in calculating self-employed income could result in overpayments an additional random sample of 40 cases was tested. This identified a further 23 cases where self-employed income had been calculated incorrectly. 2 of those cases led to an overpayment of benefit. The total value of the actual errors detected was £1,344. The net impact of the extrapolated errors on the claim would be to increase related overpayments by £55,191.

We identified one case with an incorrect calculation of student loan income used to determine benefit entitlement based on the evidence provided by the claimant. This resulted in a benefit overpayment. As the error has resulted in an overpayment, an additional random sample of 40 cases was tested. This identified a further 15 cases where student loan income has been calculated incorrectly. 8 of those cases led to an overpayment of benefit. The total value of the actual errors detected was £2,212. The net impact of the extrapolated errors on the claim would be to increase related overpayments by £6,214.

We identified one case where the weekly rent liability used to determine benefit entitlement was incorrect based on the evidence provided by the claimant. The claim had been submitted on-line and the weekly rent liability used in the determination of benefit entitlement had not been checked against evidence by the Council. We concluded, based on our review of arrangements, that it was the on-line nature of the submission that had resulted in the failure to check the weekly rent liability. The error resulted in an overpayment of benefit. As the error has resulted in an overpayment, an additional random sample of 40 cases was tested. This identified a further 3 cases where the weekly rent liability was incorrect. All of these cases resulted in an underpayment of benefit. The total value of the actual errors detected was £659. The net impact of the extrapolated error on the claim would be to increase related overpayments by £26,620.

We made no amendments to the claim in respect of our extrapolated findings.

Due to the complex nature of the claim a certain number of errors are inevitable. The issues above have been reported in the qualification letter where applicable and have been discussed with officers. The Council is aware of the need to keep error rates as low as possible, particularly in relation to the assessment of claimant income in the determination of benefit entitlement. The need to ensure accurate calculation of self-employed income was raised as part of our 2015/16 annual certification report. The level of error caused by incorrect assessment of claimant income has remained broadly consistent between 2015/16 and 2016/17.

## 2. Other assurance work

During 2016-17 the Council also engaged us as reporting accountants in relation to its Teachers' Pensions scheme.

We provided a separate report to the Council in relation to the return which had a total value of contributions paid of £13.764 million.. We did not identify any significant issues from this work that need to be brought to the attention of Members.

## 3. 2016-17 certification fees

PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim and we agree a fee for the Teachers' Pension return with the Director of Corporate Services.

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	30,555	30,555	41,242
Teachers' Pension	8,500	8,500	8,500

## 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 £41,242. 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/>

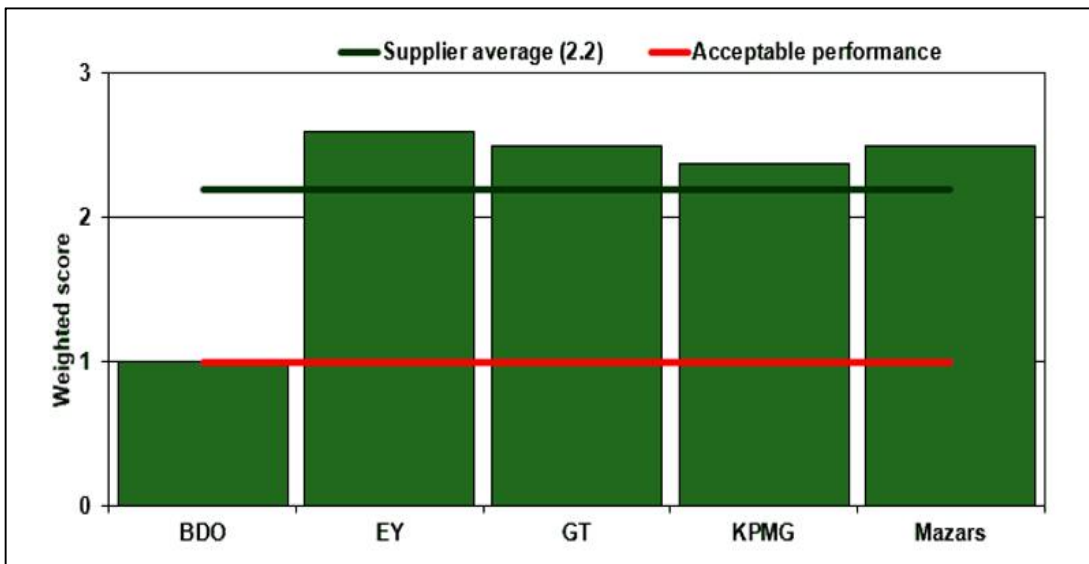
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Corporate Services before seeking any such variation.

### 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 sometime in 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 PSAA have appointed us 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.

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