



Annual Report on grants and returns 2016/17

City of Lincoln Council

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Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other returns under separate engagement terms. The work completed in 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim, the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £33.4 million; and
- Under a separate engagement we issued an assurance report on the Council's 2016/17 Housing Pooling Return. The total capital receipts subject to pooling reported under the return was nearly £2.9m.

Certification and assurance results (Pages 4-6)

Housing Benefit Subsidy

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

As a result of issues identified in the previous year, and the matters arising from the initial testing, it was necessary for us to carry out:

- 100% testing in relation to three specific issues which resulted in claim adjustments; and
- 40+ testing in relation to seven further issues from which we calculated an estimate of the extrapolated total errors in the claim.

Following the completion of our work, the claim was as in previous years subject to a qualification letter, in addition to a number of audit adjustments. These resulted in the amount of subsidy claimed reducing by £1,129.

Housing Polling Return

The return was amended to include three capital receipts which had been omitted in error. Adjustments totalling £1,438,838 were necessary to differing cells on the return as a result of this issue with the amount of poolable receipts reported increasing by £134,000. We issued an unqualified assurance report on the amended return.

Fees (Page 5)

Our proposed fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant is £10,173 (£10,570 2015/16). This fee is still subject to approval by the PSAA.

Our fee for the Housing Pooling Return work was agreed directly with the Council and was £3,000 (£3,000 2015/16).

Summary of reporting outcomes





Overall, we carried out work on two grants and returns:

- one was unqualified but required some amendment to the final figures; and
- one required both minor amendment and a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

| | Comments overleaf | Qualified | Significant adjustment | Minor adjustment | Unqualified |
|--|-------------------|---|---|---|---|
| Public Sector Audit Appointments regime | | | | | |
| — Housing Benefit Subsidy | 1 |  | |  | |
| Other grant/return engagements | | | | | |
| — Housing Pooling Return | 2 | |  | |  |
| | | 1 | 1 | 1 | 1 |

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

| Ref | Summary observations | Amendment |
|-----|---|-----------|
| 1 | <p>Housing Benefit Subsidy</p> <p>Due to issues identified in the previous year and, as a result of our initial work it was necessary to perform 100% testing in relation to the following items/issues:</p> <ul style="list-style-type: none"> — all non-HRA rent rebate cases with earnings. This resulted in a claim amendment of £1; — all non-HRA rent rebate cases with dependents. This resulted in no claim amendments; and — all non-HRA rent rebate short term leased accommodation cases where the local authority was the landlord to confirm the eligibility for claiming subsidy in this cell had been met. This resulted in a claim amendment of £6,485. <p>A number of further minor amendments were made to the claim in respect of the routine reconciliation adjustments which had not been processed before the claim’s submission deadline amounting to £273, and errors in calculating the amount of uncashed cheques relating to prior years subsidy amounting to £856.</p> <p>The total impact on the claim from the above adjustments was a reduction to the amount of subsidy due by £1,129.</p> <p>In accordance the instructions agreed with DWP we issued a Qualification Letter reporting the matters we identified through our testing from which we could not determine the specific value of the claim misstatement. These issues included:</p> <ul style="list-style-type: none"> — errors relating to the incorrect processing of weekly earnings for rent rebates and rent allowances resulting in under and over paid benefit, expenditure misclassification and errors with no subsidy impact; — errors relating to the incorrect processing of working tax credits for rent rebates resulting in over paid benefit; — errors relating to the misclassification of rent allowance overpayments within the claim form; — errors relating to the misclassification of rent allowance expenditure as a result of using the wrong claim related rent for Rent Officer cases; and — errors relating to the incorrect processing of eligible rents for rent allowances resulting in under and over paid benefit. <p>For these items our Qualification Letter included an estimate, calculated following DWP’s prescribed methodology, of the extrapolated errors in the claim.</p> | - £1,129 |

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

| Ref | Summary observations | Amendment |
|-----|--|------------|
| 2 | <p>Housing Pooling Return</p> <p>Our work in relation to the certification of this return identified the following issues:</p> <ul style="list-style-type: none"> — the omission of three capital receipts from the return; — a number of properties had been incorrectly allocated to the relevant categories within the quarterly attributable debt spreadsheets provided by DCLG, resulting in amendments to each quarters attributable debt figure on the return; and — the understatement of the Council’s expenditure under its Section 11(6) agreement on social housing projects. <p>These errors had the effect of increasing the total amount of poolable receipts by £134,000.</p> <p>In respect of these we were able to agree cell amendments with the Council to enable us to issue an unqualified assurance report for this return.</p> | + £134,000 |

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we expect to charge for carrying out all our work on grants and returns in 2016/17 is £13,173.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2016/17 of £9,098. Our proposed fee is £10,173 (£10,570 2015/16). The main reason for the fee exceeding the original estimate is an increase in the number of workbooks having to be completed due to issues identified. This fee is still subject to approval by the PSAA.

Grants subject to other engagements

The fee for our work on the Housing Pooling Return was agreed directly with the Council.

Breakdown of fees for grants and returns work

| Breakdown of fee by grant/return | | |
|----------------------------------|---------------|---------------|
| | 2016/17 (£) | 2015/16 (£) |
| Housing Benefit Subsidy claim | 10,173 | 10,570 |
| Housing Polling Return | 3,000 | 3,000 |
| Total fee | 13,173 | 13,570 |



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