

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
27 March 2018

**From:** Director of Finance

**Subject:** STATUTORY AUDITOR – ANNUAL GRANT CLAIMS AND RETURNS 2016/17

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of this report is to present to Members the statutory auditor's Annual Grant Claims and Returns Report for 2016/17 which is attached at Annex 'A'.
- 1.2 The Report summarises the work which the Council's statutory auditors have undertaken in certifying the Council's major grant claims and returns in relation to the financial year 2016/17. In this year the housing benefit subsidy claim is the only item that required certification.

### **2.0 RISK ANALYSIS:**

- 2.1 There are no risks associated with consideration of this report. However, if this report was not considered the Committee would not be fulfilling its terms of reference and would not have the opportunity of commenting on the statutory auditor's work in respect of the grant claim for 2016/17.

### **3.0 RECOMMENDATION:**

- 3.1 It is recommended that Members receive the statutory auditor's Certification of Claims and Returns 2016/17 Annual Report.

LOUISE BRANFORD-WHITE  
DIRECTOR OF FINANCE (S151 Officer)

**Background papers:** None

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# Certification of claims annual report 2016/17

Hambleton District Council

March 2018

Ernst & Young LLP



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Dear Members

## Certification of claims annual report 2016/17 Hambleton District Council

This report summarises the results of our work on Hambleton District 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 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 ("DWP") and did not undertake an audit of the claim.

### Summary

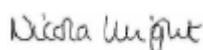
Section 1 of this report outlines the results of our 2016/17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £17,750,534. We met the submission deadline. A qualification letter was issued which detailed the qualification matters as set out in section 1. Our certification work found errors which the Council did not choose to amend.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2016/17 were published by the PSAA in March 2016 and are available on the PSAA's 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 Audit, Governance and Standards Committee on 27 March 2018.

Yours faithfully



**Nicola Wright**  
Associate Partner



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In April 2015, Public Sector Audit Appointments Limited (“PSAA”) issued the ‘Statement of responsibilities of auditors and audited bodies’. It is available via the PSAA website ([www.psaa.co.uk](http://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 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Audit, Governance and Standards Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£17,750,534
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016/17	£11,891 (inclusive of additional fee of £663)
Fee – 2015/16	£11,286

### Recommendations from 2015/16

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#### 1. Earned Income (earned, self-employed and private pension income)

In 2015/16, our initial sample did not identify any cases where the calculation of earnings had been carried out incorrectly. However, as errors were identified in this area by the previous auditor, extended testing was completed. This testing found three errors totalling £60, where benefit had been overpaid. As per the DWP guidance, this error was extrapolated to £4,959 and was reported in our qualification letter. This issue did not recur in our testing sample in 2016/17.

#### 2. War Pensions

The Council's policy is to apply a percentage increase to the parameters in the system and then review each claim individually and update using actual evidence of the War Pension award. During detailed testing of individual cases, we identified that claims are not always processed using actual evidence of the War Pension award and therefore there is a risk that war pension income is misstated. Our testing identified the same issue in 2016/17 as set out in point one on the next page.

#### 3. Rent allowances

In 2015/16, our initial testing identified two cases where the 2014/15 LHA rate had been incorrectly used in the calculation. As there is no eligibility to subsidy for benefit which has not been paid, the two underpayments identified did not affect housing benefit subsidy but were reported for information. Our testing identified the same issue in 2016/17 as set out in point two on the next page.

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## Findings from 2016/17

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### **1. War Pensions**

The Council's policy is to apply an increase in the parameters in the system and then review each claim individually and update using actual evidence of the War Pension award. During detailed testing of the individual cases, we identified that claims were not always processed using actual evidence of the War Pension award and therefore there is a risk that war pension income is misstated. A similar issue was reported in 2015/16.

### **2. Rent allowances**

Our initial testing identified one case where housing benefit had been overpaid by £4, as a result of the incorrect application of the 2015/16 LHA rate. Further testing was performed and a further six cases were identified, three of which led to overpayments totalling £40. As per the Department for Work and Pensions ("DWP") guidance, an extrapolation was reported in our qualification letter equating to £696. A similar issue was reported in 2015/16.

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Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the 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 years' claims. We found errors and carried out extended testing in several areas.

Extended and other testing did not identify any additional errors and as such the Council did not amend the claim.

## 2. 2016/17 certification fees

The PSAA determine a scale fee each year for the audit of claims. For 2016/17, these scale fees were published by PSAA in March 2016 and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	11,891*	11,228	11,286

\*The additional fee of £663 is still subject to approval by PSAA.

### 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 £11,286. 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.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

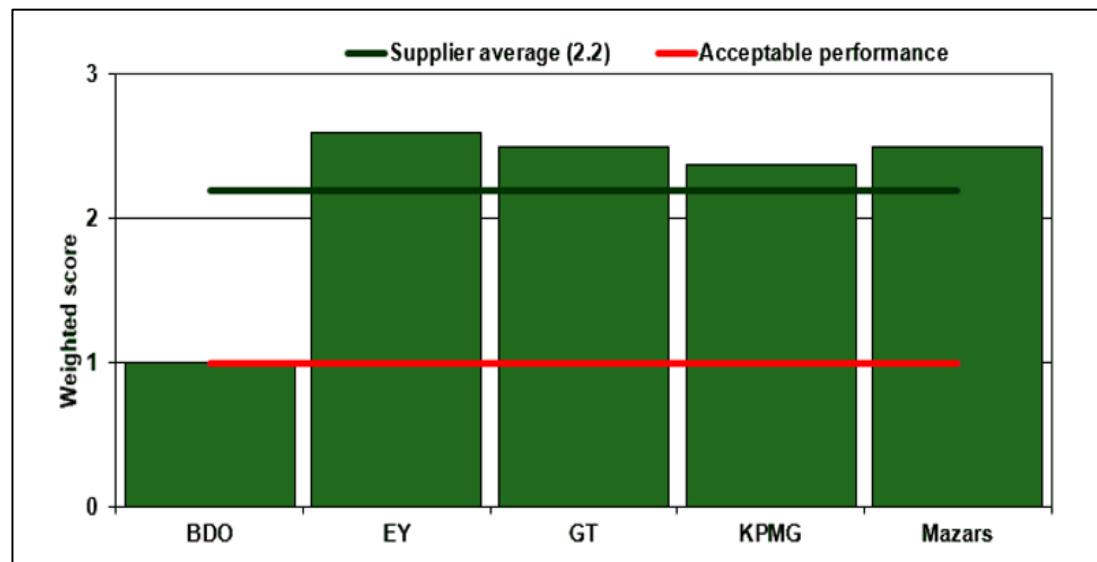
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the S151 Officer before seeking any such variation.

#### 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 in early 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 and 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 been appointed by PSAA in December 2017 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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