

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
21 March 2017

From: Director of Finance

Subject: **STATUTORY AUDITOR – ANNUAL GRANT CLAIMS AND RETURNS 2015/16**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to present to Members the statutory auditor's Certification of Claims Annual Report for 2015/16 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 2015/16. In this year only one item has required certification, being the housing benefit subsidy claim.

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 2015/16.

3.0 RECOMMENDATION:

- 3.1 It is recommended that Members receive the statutory auditor's Certification of Claims and Returns 2015/16 Annual Report.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 Officer)

Background papers: None

Author ref: LBW

Contact: Louise Branford-White
Director of Finance (Section 151 Officer)
Direct Line No: 767024

Certification of claims annual report 2015/16

Hambleton District Council

February 2017

Ernst & Young LLP



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Members of the Audit, Governance and Standards Committee
Hambleton District Council
Civic Centre
Stone Cross
Northallerton
DL6 2UU

February 2017

Direct line: + 44 191 269 4887
Email: nwright1@uk.ey.com

Dear Members

Certification of claims annual report 2015/16 Hambleton District Council

This report summarises the results of our work on Hambleton District Council's 2015/16 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 Limited ("PSAA") by the Secretary of State for Communities and Local Government.

For 2015/16, 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 2015/16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £18,371,338. 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 and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2015/16 were published by PSAA in March 2015 and are 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 Audit, Governance and Standards Committee on 21 March 2017.

Yours faithfully

Nicola Wright
Executive Director
Ernst & Young LLP
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Contents

1. Housing benefits subsidy claim.....	1
2. 2015/16 certification fees.....	3
3. Looking forward.....	4

In April 2015, Public Sector Audit Appointments Limited (“PSAA”) issued the “Statement of responsibilities of auditors and audited bodies 2015/16”. It is available from the Chief Executive of each audited body and 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 from 1 April 2015” 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	£18,371,338
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015/16	£11,286
Fee – 2014/15	£14,970 (work performed by predecessor auditor)

Findings from 2014/15

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

The previous auditor completed testing in respect of income (earned, self-employed and private pension income). Their extended testing found one error, where benefit had been overpaid as a result of miscalculation of earned income. This error was extrapolated (£10,574) and was reported in their qualification letter. The previous auditor concluded that additional work would not result in amendments to the claim and would not impact on the conclusion that the claim is fairly stated. Our testing identified similar errors in 2015/16, as set out in point 1 below.

2. Rent Income

The previous auditor completed testing in respect of rent recorded. Their initial testing found one error, which resulted in an underpayment of housing benefit. Their extended testing found no other errors. They concluded that additional work would not result in amendments to the claim and would not impact on the conclusion that the claim is fairly stated. Our testing did not identify similar errors in 2015/16.

Findings from 2015/16

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

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.

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.

3. Local Housing Allowance ("LHA") system error

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 do not affect housing benefit subsidy but have been reported for information.

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from 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 claims. We found errors within our initial testing however, as these resulted in underpayment of housing benefit, no additional testing was completed. In conjunction with the Council and as per DWP guidance, we carried out extended (40+) testing in a number of areas where errors were found in previous years.

Extended and other testing did identify a number of errors, however the Council chose not to amend the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in the qualification letter.

2. 2015/16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns. For 2015/16, these scale fees were published by PSAA in March 2015 and are available on the PSAA's website (www.psaa.co.uk).

Claim or return	2015/16	2015/16	2014/15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	11,286	11,286	14,970

3. Looking forward

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 2016/17 is £11,228. This was prescribed by PSAA in March 2016, based on no changes to the work programme from 2015/16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014/15.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-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.

PSAA is currently consulting on the 2017/18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018/19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by DWP.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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