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# Certification of claims and returns annual report 2015/16

Babergh District Council

31 January 2017

Ernst & Young LLP



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31 January 2017

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Dear Members

## **Certification of claims and returns annual report 2015/16 Babergh District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Babergh 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 the Public Sector Audit Appointments Ltd (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 and did not undertake an audit of the claim.

### **Statement of responsibilities**

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

### **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 £20.1 million and met the submission deadline. We issued a qualification letter with our submission; the qualification matters

are included in section 1. One amendment was made to the claim which had no impact on subsidy claimed.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2015/16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now 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 next Joint Audit Committee.

Yours faithfully

**Andy Clewer**  
Partner  
Ernst & Young LLP  
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## Contents

<b>1. Housing benefits subsidy claim.....</b>	<b>1</b>
<b>2. 2015/16 certification fees.....</b>	<b>3</b>
<b>3. Other assurance work .....</b>	<b>4</b>
<b>4. Looking forward.....</b>	<b>5</b>

## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£20,121,237
Amended	Yes – the entry for rental income for 2015/16 excluding affordable rents was amended but this had no impact on subsidy.
Qualification letter	Yes
Fee – 2015/16	£23,051
Fee – 2014/15	£23,000

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 years claims. The Council identified errors and carried out extended testing in a number of areas, for which we re-performed a sample of cases.

Summary of errors: 2015/16

Description of Cell	Nature of error
Cell 094: Rent Allowances – total expenditure (benefit granted)	<p>Testing of the initial sample identified one case where the Authority had included an incorrect working tax credit and child tax credit leading to an underpayment of subsidy. An additional sample of 40 cases identified no further errors.</p> <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not therefore been classified as an error for subsidy purposes.</p>

2014/15 Follow up

Description of Cell	Follow up issue
Cell 055: Rent Rebates - total expenditure (benefit granted)	<p>In 2014/15 the previous auditors, BDO, identified earned income calculations as an issue. Our 2015/16 testing of the sub population identified one case where earnings had been incorrectly assessed resulting in an overpayment of benefit.</p> <p>We reported an extrapolation in the Qualification Letter.</p>
Cell 055: Rent Rebates – total expenditure (benefit granted)	In 2014/15 BDO identified private pension income calculation as an issue. Our 2015/16 testing of the sub population identified one case where benefit

Description of Cell	Follow up issue
	<p>had been overpaid and one case where benefit had been underpaid as a result of the Authority calculating incorrect pension income.</p> <p>We reported an extrapolation in the Qualification Letter.</p>
<p>Cell 094: Rent Allowances – total expenditure (benefit granted)</p>	<p>In 2014/15 BDO identified self-employed income calculation as an issue. Our 2015/16 testing of the sub population identified 2 cases where benefit had been overpaid by the Authority calculating an incorrect self-employed income.</p> <p>We reported an extrapolation in the Qualification Letter.</p>
<p>Cell 114: Rent Allowances – eligible overpayments</p>	<p>In 2014/15 BDO identified eligible overpayment misclassification as an issue. Our 2015/16 testing of the sub population identified one case where the Authority had misclassified on the Academy system overpaid benefit as eligible overpayment instead of LA error/admin delay.</p> <p>We reported an extrapolation in the Qualification Letter.</p>

We have reported underpayments, uncertainties and the extrapolated value of other errors in our Qualification Letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or claw back the benefit subsidy paid.

As the errors were found in November 2016, the Council may have made similar errors in the early part of the 2016/17 financial year. I have therefore recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2016/17.

Issues for the 2016/17 audit

2016/17 issue	Recommendation
<p>Early extended testing</p>	<p>Perform early extended testing in those areas where errors were identified in 2015/16, to ascertain the extent of similar errors arising in 2016/17.</p>

## 2. 2015/16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015/16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2015/16	2015/16	2014/15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	23,051	23,051	23,000
<b>Total</b>	<b>23,051</b>	<b>23,051</b>	<b>23,000</b>

The indicative fee for 2015/16 is based on the final fee for 2013/14. The sum of £23,051 also reflects the reduction arising from the outcome of the Audit Commission's tendering exercise in March 2014.

### 3. Other assurance work

For 2015/16 we will also be acting as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return

We will be providing a separate report to the Council in relation to this return. This work is undertaken outside the PSAA regime and the fees for this are not included in the figures included in this report. They are referred to here to ensure Members have a full understanding of the various returns that the Council prepares and on which we provide some form of assurance.



## 4. 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 £17,250. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 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 Assistant Director - Corporate Resources 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 the DWP.

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