

# Certification of claims and returns annual report 2015/16

Darlington Borough Council

January 2017

Ernst & Young LLP



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Dear Members

## **Certification of claims and returns annual report 2015/16 Darlington Borough Council**

This report summarises the results of our work on Darlington Borough Council's 2015/16 claims and returns.

### **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.

In addition to this, we also acted as reporting accountants in relation to both the Teachers' Pensions and Housing Pooling returns which are outside the PSAA's regime.

### **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 £39,050,953. We did not identify any issues that required reporting to the DWP and as a result, no qualification letter was issued. The certified claim form was submitted to the DWP by the deadline of 30 November 2016.

We provided separate reports to the Council in relation to the Teachers' Pensions and Housing Pooling returns as set out in Section 2. No issues were identified during the certification of these claims.



Fees for certification and other returns work are summarised in section 3. 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](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the January 2017 Audit Committee.

Yours faithfully

A handwritten signature in black ink that reads 'N. Wright'.

**Nicola Wright**  
Executive Director  
Ernst & Young LLP  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies ’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.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.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£39,010,077
Value of revised claim submitted to DWP	£39,050,953
Amended/Not amended	Amended – subsidy increased by £40,876 due to incorrect War Widows' Pensions value being included in the original claim form
Qualification letter	No
Fee – 2015/16	£8,911
Fee – 2014/15	£11,880 (performed by predecessor auditor)
Findings from 2014/15	Review in 2015/16
Incorrect parameters – One system parameter was identified as being incorrectly input.	Our testing in 2015/16 identified no errors in the system parameters input into the system.
Subsidy order – Payments in relation to 2015/16 were made in 2014/15. Per DWP guidance, as the payments were made in 2014/15, they should have been included in the 2014/15 claim form. The Council recognised these in the 2015/16 claim form however.	Our testing in 2015/16 identified no similar errors in the samples tested.

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 claims. We did not identify any issues within our initial testing and as such, no further testing has been performed.

## 2. Other assurance work

During 2015/16, we also acted as reporting accountants in relation to the following schemes:

- ▶ Teachers' pensions; and
- ▶ Housing pooling return.

We have provided separate reports to the Council in relation to these returns. This work has been undertaken outside the PSAA regime. The fees for this are included in the figures in Section 3. They are referred to here to ensure Members have a full understanding of the returns on which we provide some form of assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members.

### 3. 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 PSAA in March 2015 and are 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	8,911	8,911	11,880
Housing Pooling Return*	3,000	N/A	3,000
Teachers' Pensions Return*	3,200	N/A	3,200

\*Note – Certification fees in respect of both the Housing Pooling Return and the Teachers' Pensions Return is outside the PSAA's regime.

## 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 £11,525. 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.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA for 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 the DWP.



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