

Certification of claims and returns annual report 2016/17

Darlington Borough Council

March 2018

Ernst & Young LLP



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Audit Committee
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March 2018

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Dear Audit Committee Members

**Certification of claims and returns annual report 2016/17
Darlington Borough Council**

This report summarises the results of our work on Darlington Borough 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.

In addition to this, we also acted as reporting accountants in relation to 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 2016/17 certification work and highlights the significant issues.

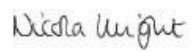
We checked and certified the housing benefits subsidy claim with a total value of £37,687,645. We met the submission deadline. A qualification letter was issued which detailed the qualification matters as included in section 1. No amendments have been made to the claim relating to the matters in the qualification letter.

We provided separate reports to the Council in relation to the Teachers' Pensions and Housing Pooling returns as set out in section 2. A qualification letter was issued in relation to the Teachers' Pensions return, but no issues were identified with the Housing Pooling return.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016/17 were published by PSAA in March 2016 and are available on the PSAA's website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 28 March 2018.

Yours faithfully

A handwritten signature in black ink that reads "Nicola Wright". The signature is written in a cursive, slightly slanted style.

Nicola Wright
Associate Partner
Ernst & Young LLP
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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 from the Chief Executive of each audited body and via the PSAA website (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	£37,687,645
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016/17	£11,525
Fee – 2015/16	£8,911

We did not issue a qualification letter in 2015/16 as no issues were identified from the testing performed. We have issued a qualification letter in 2016/17, and the findings included in the letter are detailed below.

Findings from 2016/17

1. 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.

2. Misclassification of expenditure (Rent Rebates)

Our testing of the initial sample identified one case where expenditure was misclassified and, as a result, was incorrectly included in the affordable rents scheme cell in the claim form. This misclassification did not impact upon the subsidy claimed and as a result no further testing was required.

2. Other assurance work

During 2016/17, we also acted as reporting accountants in relation to the following returns:

- ▶ Teachers' Pensions
- ▶ Housing Pooling

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. It is 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 issues from our certification of the Housing Pooling return that require reporting to members.

However, during our review of the Teachers' Pensions return, we identified one finding, which was reported to Teachers' Pensions:

- ▶ A number of arithmetical differences were identified when we recalculated the teacher contributions values disclosed in the claim form. In total, teacher contributions were understated by £157.57.

3. 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.psa.co.uk).

Claim or return	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	11,525	11,525	8,911
Teachers' Pension return*	3,200	N/A	3,200
Housing Pooling return*	3,000	N/A	3,000

* Note – certification fees in respect of both the Teachers' Pension return and the Housing Pooling return are outside of the PSAA regime.

4. 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 £8,911. 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.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

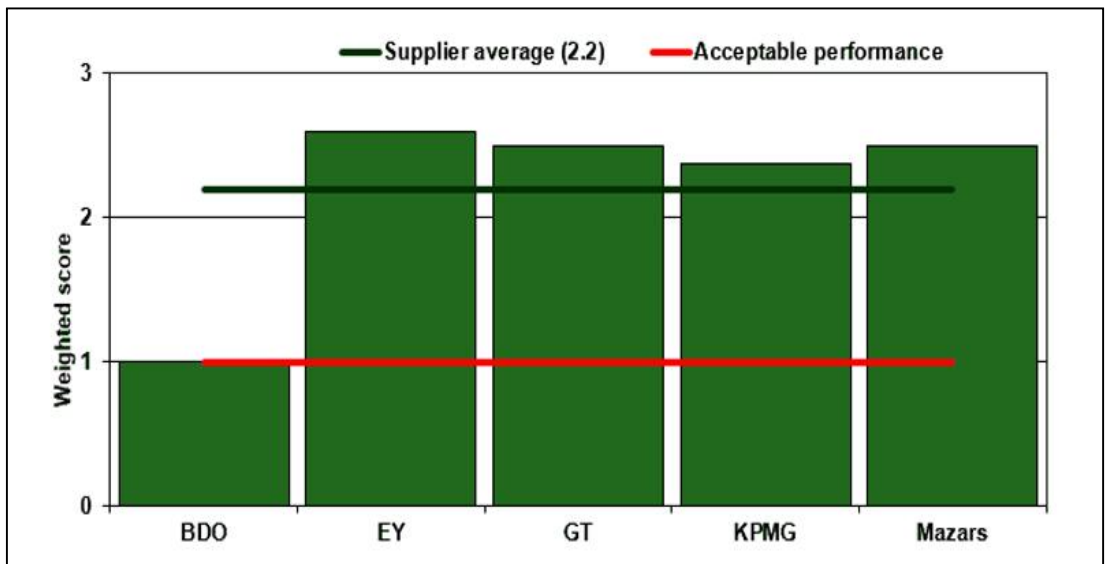
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the S151 Officer before seeking any such variation.

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.

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 & 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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