

Certification of claims and returns annual report 2017/18

Darlington Borough Council

April 2019

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

A nighttime photograph of a street scene. In the foreground, a red and white street cleaner is parked on the left side of the road. Behind it, a white truck is visible. The road has white lane markings and a green-painted area with a white 'X' and a right-turn arrow. In the background, there are buildings with lit windows and signs, including one with Japanese characters.

Audit Committee
Darlington Borough Council
Town Hall
Feethams
Darlington
DL1 5QT

April 2019

Dear Audit Committee Members

This report summarises the results of our work on Darlington Borough Council's 2017/18 claims.

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 reporting accountants 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 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this claim, we followed a methodology determined by the Department for Work and Pensions.

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

This report is intended solely for the information and use of the Audit Committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the Audit Committee meeting on 17 April 2019.

Yours faithfully

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

Nicola Wright, Associate Partner
For and on behalf of Ernst & Young LLP

Contents



This report is made solely to the Audit Committee and management of Darlington Borough Council. Our work has been undertaken so that we might state to the Audit Committee and management of Darlington Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Audit Committee and management of Darlington Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

| Scope of work | Results |
|--|-------------|
| Value of claim presented for certification | £36,173,967 |
| Amended/Not amended | Not amended |
| Qualification letter | Yes |
| Fee - 2017/18 | £8,911 |
| Fee - 2016/17 | £11,525 |

Findings from 2016/17

We set out below the findings from the 2016/17 certification work, along with information as to whether these issues were also identified in 2017/18.

1. War Pensions

In 2016/17, it was identified that the Council does not review actual evidence of war pension income on an annual basis, instead the Council increases each war pension by a set percentage. Therefore there is a risk that war pension income is misstated.

Our testing in 2017/18 did not identify any similar errors.

2. Misclassification of expenditure (Rent Rebates)

Testing in 2016/17 identified one case where expenditure was misclassified and, as a result, was incorrectly included in the affordable rents scheme cell in the claim form.

Our testing in 2017/18 did not identify any similar errors.

Findings from 2017/18

We set out below the findings from the 2017/18 certification work.

1. Import of ESA Income (Rent Allowances)

Our testing identified one case where ESA Income had been imported into the Housing Benefits system twice in error, and therefore caused an overstatement of the claimant's income, and an underpayment of benefit. Although this error resulted in an underpayment, an issue in the import of ESA could lead to overpayments, and therefore additional testing of 40 cases containing ESA income was completed. No further issues were identified from the additional testing performed.



02

Other assurance work





Other assurance work

During 2017/18, we also acted as reporting accountants in relation to the following returns:

- ▶ Housing Pooling return; and
- ▶ Teachers' Pensions return.

We have provided separate reports to the Council in relation to both returns. This work has been undertaken outside the PSAA regime. The fees for this are included 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 issues from our certification of the Housing Pooling return that require reporting to members.

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

1. A number of arithmetical differences were identified when we recalculated the employer and teacher contributions values disclosed in the claim form. Employer contributions were overstated by £0.13 and teachers contributions were understated by £623.94. We performed additional procedures to understand the reason for the difference in teacher contributions, as a result of the size of the difference. We identified that it related to two teachers who have multiple contracts, and having their contracts combined leads to them paying contributions at a higher rate than they would have done had the contracts been treated separately, as is required by the Teachers Pensions' guidance. The Council identified this issue during the year and as a result have manually amended the total pensionable salary to the correct banding in the claim form. However, as the contributions have been deducted at a higher rate than should have been used, employee contributions deducted are higher than we would have expected based on the pensionable salary disclosed in the claim form.



03

2017/18 certification fees





2017/18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by PSAA and are available on their website (www.psaa.co.uk).

| Claim or return | 2017/18 | 2017/18 | 2016/17 |
|--------------------------------|-----------------|---------------------|-----------------|
| | Actual fee £ | Indicative fee £ | Actual fee £ |
| Housing benefits subsidy claim | 8,911 | 8,911 | 11,525 |
| Teachers' Pension return* | 3,200 | N/A | 3,200 |
| Housing Pooling return * | 3,000 | N/A | 3,000 |

*Certification fees in respect of the Teachers' Pension return and Housing Pooling return are outside of the PSAA regime.



04

Looking forward



Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that from 2018/19 the Council has appointed us to act as reporting accountant in relation to the Housing Benefit assurance process.

We welcome this opportunity to continue undertaking this work for the Council, providing a seamless quality service, drawing on our vast array of experienced and knowledgeable public sector professionals, whilst realising the efficiencies that are achieved by undertaking both the audit and grant work.

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