

# Certification of claims and returns annual report 2015-16

Welwyn Hatfield Borough Council

9 January 2017

Ernst & Young LLP



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The Members of the Audit Committee  
Welwyn Hatfield Borough Council  
The Campus  
Welwyn Garden City  
Hertfordshire  
AL8 6AE

9 January 2017

Dear Members

## **Certification of claims and returns annual report 2015-16 Welwyn Hatfield Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Welwyn Hatfield 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 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.

In addition to this, we also acted as reporting accountants in relation to one return 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 £40,319,446. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1.

We provided a separate report to the Council in relation to the 2014-15 pooling of housing capital receipts return with a total value of £11,273,595. We were unable to include our findings from this work in our 2014-15 annual certification report due to issues encountered as part of this work, these are explained in section 2. Our work found errors which the Council corrected. The amendments had no overall affect on the total value of the receipts subject to pooling, but did affect the analysis of expenditure against these receipts.



Fees for certification and other returns work are summarised in section 3. 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 are seeking an additional fee in respect of the work undertaken which will be less than that charged in total for 2014-15, this is subject to discussion and agreement by both your Chief Financial Officer and by PSAA.

We welcome the opportunity to discuss the contents of this report with you at the 16<sup>th</sup> January 2017 Audit Committee.

Yours faithfully

**Neil Harris**  
Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£40,319,447
Amended	£40,319,446 Minor amendment was made following review of rent allowance modified scheme cases
Qualification letter	Yes
Fee – 2015-16	£4,931 we are requesting an additional £2,983 to reflect work undertaken, please refer to section 3
Fee – 2014-15	£17,650

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. Due to the errors identified in 2014-15 we requested that 40+ testing be carried out prospectively on those areas that had 40+ testing in 2014-15.

We reported one case in the 40+ sample for rent allowances where a claimant had been underpaid due to their income being shown as weekly instead of fortnightly. The DWP does not usually require any further work where an underpayment is identified as no subsidy will have been claimed in respect of such cases. There were 2 cases in the 40+ testing of eligible overpayments where too much of the overpayment had been classified as eligible overpayment. The excess element should have been classified as administration error which attracts a lower level of subsidy.

We have reported the underpayment, and the extrapolated value of the eligible overpayments (£2,569) in a qualification letter to the Department. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

## 2. Other assurance work

During this year we also acted as reporting accountants in relation to the following schemes:

- ▶ Pooling of housing capital receipts 2014-15.

We have provided a separate report to the Council in relation to this return. 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 to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

There were several issues identified during our work on the return:

- ▶ The Department of Communities and Local Government (DCLG) testing programme was more explicit than it had been in the prior year that expenditure on buying back council houses previously sold under the right to buy could not be included both as buy back expenditure and also as 'new build' expenditure as part of the Council's affordable housing programme. It could only be placed under one category. In 2013-14 and 2014-15 the Council had included it twice on the return. We agreed with the Council the figures that should be submitted for both 2013-14 and 2014-15
- ▶ One repayment of a council house discount £12,070 had been incorrectly classified on the return.

Our work on certifying the return began in November 2015 but was not finalised until November 2016. This was due to problems with the DCLG Logasnet system on which the return is submitted and changes in personnel at the Council.

### 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 the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	7,914	4,931	17,650
Pooling of housing capital receipts	-	-	4,000

We are in the process of agreeing with officers and PSAA our outturn fee for the 2015-16 certification of the housing benefits subsidy claim. The indicative fee was based on the 2013-14 level of work required when there was no 40+ testing undertaken. There were 3 40+ samples selected in 2014-15 and the EY team undertook the initial testing as well as re-performing extensively cases included in the 40+ samples.

In 2015-16 a similar number of 40+ samples were selected. However we have had more extensive assistance from the Council's housing benefits provider in both setting out the entries for each case and then testing these (they also provided similar assistance with the initial sample testing). We have found that this work was done to a good standard when we re-performed a sample. For this reason our time requirement for a similar number of cases tested has been lower than in 2015-16 and we are therefore proposing a much smaller fee.

## 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 £13,238. 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 Head of 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.

Looking forward

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