

# Certification of claims and returns annual report 2015-16

Thurrock Council

9 February 2017

Ernst & Young LLP



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Dear Members

## **Certification of claims and returns annual report 2015-16 Thurrock Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Thurrock 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 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 the teachers' pensions and housing pooling returns which are outside 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 £58,225,256 and met the submission deadline. We issued a qualification letter dated 23 November 2016; details of the qualification matters are included in Section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due, reducing subsidy due to the Council by £195.

The Council engaged us directly to certify two other returns; teachers' pensions and housing pooling returns. We include the findings from our work on these returns in Section 2. Our work found no errors requiring correction. We did however report on one issue on the housing pooling return. This issue had no financial impact on the Council.



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 on its 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 Standards and Audit Committee on 28 February 2017.

Yours faithfully

Debbie Hanson  
Executive Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

	Results
Value of claim presented for certification	£58,225,256
Amended	Amended – subsidy reduced by £195
Qualification letter	Yes
Fee – 2015-16	£15,664
Fee – 2014-15	£22,864

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. We found errors and carried out extended testing in four areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. 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. These are the main issues we reported:

- Initial testing of non HRA rent rebate cases identified no errors. However, given the level of previously reported issues an additional random sample of 40 cases was selected for review to check the correct rent amount had been used. The additional testing found two errors, one where benefit had been underpaid and one where benefit had been overpaid as a result of the use of an incorrect rent figure. The error which resulted in an overpayment was extrapolated across the population to give an extrapolated error of £1,800.
- Initial testing of rent rebate overpayments identified no errors. However, given the level of previously reported issues an additional random sample of 40 cases was selected for review to check overpayment classification. The additional testing found one error where the overpayment was classified as eligible error when in fact it was a local authority error. Local authority error overpayments attract subsidy at a lower level than eligible error overpayments. This classification error was therefore extrapolated across the population and resulted in an extrapolated error of £308.
- Initial testing of rent allowance overpayments identified two cases that were classified incorrectly. This is because relevant information, which would have changed entitlement, was provided before the payment date but not actioned by the Authority. These overpayments should have been attributed to local authority error. An additional 40 cases were therefore tested and further errors identified. These classification errors were extrapolated across the population and resulted in an extrapolated error of £31,145.

In addition to the above we reported on a number of errors that resulted in an underpayment of subsidy. From the work undertaken this year, we have concluded that the Council continues to strengthen procedures with regard to housing benefits and the level of reportable issues continues to fall. None of the errors detected in the current year arise from significant weaknesses in the housing benefit system implemented by the Council.

## 2. Other assurance work

During 2015-16 the Council engaged us directly to act 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 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.

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

Our work on the pooling return did identify a number of properties where valuations had been included incorrectly within the 'input data' worksheet. This issue was isolated to the quarter one and quarter two returns. There was however no overall impact on the return as a result of these errors as the differences netted off and had no overall impact on each quarterly total. There was therefore no impact on the calculation of attributable debt and we concluded that, with the exception of this issue, the return was, in all material respects, in accordance with the relevant terms and conditions.

### 3. 2015-16 certification fees

PSAA determine a scale fee for the certification of the housing benefits subsidy claim and publish this fee on its website ([www.psa.co.uk](http://www.psa.co.uk)). We agree fees for other claims work with the Director of Finance and IT.

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
<b>(All fees exclude VAT)</b>			
Housing benefits subsidy claim	15,664	15,664	22,864
Other claims or return:			
Teachers' pensions return	12,975	12,975	11,750
Housing pooling return	5,600	5,600	5,995

## 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 £17,148. 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 Director of Finance and IT 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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