

# Certification of claims and returns annual report 2015-16

Fareham Borough Council

November 2016

Ernst & Young LLP



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The Members of the Audit and Governance Committee  
Fareham Borough Council  
Civic Office  
Civic Way  
Fareham  
Hampshire  
PO16 7AZ

5 December 2016  
Ref: HB1

Direct line: 07974 007332  
Email: HThompson2@uk.ey.com

Dear Members

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

We are pleased to report on our certification work. This report summarises the results of our work on Fareham 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.

Public Sector Audit Appointments Ltd (PSAA) made arrangements for certifying claims and returns in respect of the 2015-16 financial year. 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 and did not undertake a full audit of the claim.

### **Statement of responsibilities**

The 'Statement of responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments and appointed auditors in relation to claims and returns', issued by PSAA, serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

### **Summary**

We checked and certified the housing benefits subsidy claim with a total value of £20,001,898. We met the deadline for this work.

Fees for certification work are summarised in section 2. The scale fees for 2015-16 are available on PSAA 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 Audit and Governance Committee on 13 March 2017.

Yours faithfully

Helen Thompson  
Executive Director  
For and on behalf of Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£20,001,898
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£15,959
Fee – 2014-15	£15,080

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 DWP require appropriately qualified auditors to certify housing benefit subsidy claims, and determine the methodology auditors follow when certifying them.

Our certification guidance stipulates the level of initial testing auditors are required to perform and 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 to determine if errors detected in the prior year's claim have reoccurred.

We then either report the extrapolated value of detected errors in a qualification letter or, if appropriate, agree an amendment to the claim with the Council.

We have highlighted any errors detected during our work and the responses below:

- From an initial sample of 20 Non HRA Rent Rebate cases we identified three errors as a result of incorrect assessment of earnings. The impact was:
  - two underpayments of benefit with total values between £0.36 and £3.72; and
  - one overpayment of benefit with total value of £2.40.

Amendments have been made to individual claims in 2016-17, ensuring that the benefit paid to claimants has been corrected. '40+' or extended testing was performed to a sample of Non HRA Rent Rebate cases and no further errors were detected. Our certification guidance requires us to report these errors to the DWP in a qualification letter along with the extrapolated value of overpayments, which was £5. This extrapolation represents an indication of the total value of overpayments caused by incorrect earnings assessments in Non HRA Rent Rebates.

- '40+' or extended testing was performed on a sample of HRA Rent Rebate cases as a result of incorrect assessment of earnings in the prior year's claim. We identified two errors as a result of this testing. The impact was:
  - two underpayments of benefits with total values between £19.61 and £30.65.

Amendments have been made to individual claims in 2016-17, ensuring that the benefit paid to claimants has been corrected. Our certification guidance requires us to report these errors to the DWP in a qualification letter.

## 2. 2015-16 certification fees

Public Sector Audit Appointments (PSAA) determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the PSAA in April 2015 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Total Housing benefits subsidy claim	15,080	15,959	15,959

### 3. 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 £11,310. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2016-17.

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 would discuss the matter with the Director of Finance and Resources before seeking any such variation.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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