

# Certification of claims and returns annual report 2015-16

Hinckley and Bosworth Borough Council

January 2016

Ernst & Young LLP



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Dear Members

## **Certification of claims and returns annual report 2015-16 Hinckley and Bosworth Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Hinckley and Bosworth Borough Council's 2015-16 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 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 the Pooling of Housing Capital receipts 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 £18,676,108. We met the submission deadline and issued a qualification letter to DWP on 25 November 2016 and details are included in section 1 of this report.

We provided separate reports to the Council in relation to the Pooling of Housing Capital Receipts returns with a total value of £280,300. Our work found no errors which needed to be corrected by 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 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 welcome the opportunity to discuss the contents of this report with you at the 2 March 2017 Audit Committee.

Yours faithfully

Stephen Clark  
Partner  
Ernst & Young LLP  
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# 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£18,676,108
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2015-16	£14,850

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 several areas which is consistent with prior year findings.

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. The main issues reported in the qualification are as follows;

- Incorrect Application of tax credits on one rent allowance case which meant earnings were incorrectly calculated which led to an overpayment of benefit expenditure. The results of the initial testing and further 40+ testing resulted in an overall extrapolated error of £133 of overpayment.
- Incorrect Earnings used in an income assessment for one rent allowance case which meant earnings were incorrectly calculated which led to an overpayment of benefit expenditure. The results of the initial testing and further 40+ testing resulted in an overall extrapolated error of £980 of overpayment.
- Incorrect application of Non Dependent Deductions for rent allowance cases. We were able to test all cases and found that the expenditure was overstated by £1,646.

The errors reported in the qualification letter are similar to findings from the prior year.

## 2. Other assurance work

During 2015-16 we also acted as reporting accountants in relation to the following scheme:

- Pooling of Housing Capital Receipts

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. 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

### 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
	Actual fee £	Indicative fee £
Housing benefits subsidy claim	£14,850	£14,850
Pooling of Housing Capital Receipts	£2,000	£2,000

## 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 £14,498. 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 management 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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