

Certification of claims and returns annual report 2014-15

Harlow District Council

February 2016

Ernst & Young LLP



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Audit and Standards Committee
Harlow District Council
Civic Centre
The Water Gardens
Harlow
Essex CM20 1WG

24 February 2016

Dear Members

Certification of claims and returns annual report 2014-15 Harlow District Council

We are pleased to report on our certification work. This report summarises the results of our work on Harlow District Council's 2014-15 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.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims in respect of the 2014-15 financial year. 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 (DWP) and did not undertake an audit of the claim.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It 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

Section 1 of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

We checked and certified the Council's claim for housing benefit subsidy. This claim had a total value of £38,923,250. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in section 2.



We made no recommendations in the prior year and have none to make this year.

Fees for certification work are summarised in section 2. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 9 March 2016 meeting of the Audit and Standards Committee.

Yours faithfully

Debbie Hanson
Executive Director
Ernst & Young LLP
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Contents

1. Housing benefits subsidy claim	1
2. 2014-15 certification fees	2
3. Other assurance work.....	3
4. Looking forward	4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,923,250
Amended/Not amended	Not amended
Qualification letter	Yes
Fee - 2014-15	£31,386 (this comprises the scale fee of £27,970 plus a proposed scale fee variation of £3,416. Further detail on the scale fee variation is included in section 2 of this report).
Fee - 2013-14	£26,976

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 the following areas:

- HRA rent rebates - Initial testing identified one instance of the claimant's income being incorrectly assessed, as a deduction relating to pension contribution was incorrectly calculated. 40+ testing was undertaken, and no further errors were identified. We reported the extrapolated effect of this error (a potential reduction in benefit eligible for subsidy of £691) in our qualification letter.
- Rent allowances - 40+ testing was undertaken as errors were identified in the previous year in relation to the classification of overpayments. No such errors were identified in 2014-15.
- Rent allowances - Initial testing identified one instance where the Council were unable to locate the supporting payslip for earned income. 40+ testing was undertaken, and no further errors were identified. We reported the extrapolated effect of this error in our qualification letter. Subsequent to our certification of the claim, the Council reported to DWP that the missing information had been located. The DWP asked us to confirm that this was the case, which we did on 2 February 2016.

2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	26,976	27,970	31,386

We are proposing a scale fee variation of £3,416 in addition to the indicative scale fee of £27,970. The proposed variation reflects that:

- Additional time was needed to agree the nature and scope of the 40+ testing arising from errors identified in the previous year; and
- Some elements of the 40+ testing were undertaken by us, as the Council did not have sufficient capacity to complete all of this work.

We are currently awaiting approval of this proposed variation by PSAA.

3. Other assurance work

During 2014-15, we also acted as reporting accountants in relation to pooling of housing capital receipts return. We have provided a separate report to the Council in relation to this return. Our fee for this work was £3,200.

As this work was undertaken outside the Audit Commission/PSAA regime, and the fees for this are not included within the fees reported in section 2. They are referred to here for completeness 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 as part of this work that need to be brought to the attention of Members

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 Public Sector Audit Appointments (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £18,695. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. 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/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance before seeking any such variation.

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