

# Certification of claims and returns annual report 2014-15

Brentwood Borough Council

25 January 2015

Ernst & Young LLP



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The Members of the Audit, Scrutiny and Transformation Committee  
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Dear Members

## **Certification of claims and returns annual report 2014-15 Brentwood Borough Council**

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

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns 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 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 housing benefits subsidy claim with a total value of £16,152,923. We met the submission deadline. We issued a qualification letter for the housing benefit subsidy claim – details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due, reducing the subsidy due to the Council by £2,475.



The Council has implemented the recommendation from last year and has improved arrangements. Details are included in section 1. We have made two recommendations this year, set out in section 5.

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.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the 25 January Audit, Scrutiny and Transformation Committee.

Yours faithfully

**Debbie Hanson**

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

Scope of work	Results
Value of claim presented for certification	£16,155,398
Amended/Not amended	Amended – subsidy reduced by £2,475
Qualification letter	Yes
Fee – 2014-15	£38,087
Fee – 2013-14	£24,093
Recommendations from 2013-14	Findings in 2014-15
Training for Housing Benefit Assessors should continue and in particular cover overpayment calculation	<p>Training is ongoing, however further improvements can still be made in overpayment classification and calculation and classification and Local Housing Association (LHA) rent.</p> <p>The Council may also want to consider how it can provide resources to undertake detailed benefits testing by its own staff to reduce the impact on audit fees.</p> <p>Further details of these findings are included in section 4.</p>

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.

Non-HRA rent rebates were determined to be a small population and therefore in accordance with certification guidance, all cases were tested (88 cases). We also undertook additional testing on other Non-HRA cells due to issues identified on the:

- incorrect application of LHA rates; and
- misclassification of overpayments.

The claim was amended for the errors identified. They had a small net impact on the claim.

Extended and other testing identified other errors. 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 we reported were:

- Misclassification of rent rebate and rent allowance overpayments;
- Incorrect income classification of rent allowances; and
- Incorrect application of local housing authority rent. However, the errors identified resulted in and underpayment for which there are no subsidy implications.

In previous years, the Council has undertaken all the initial and 40+ testing, requiring only minimal re-performance of work by us. However, the Council did not have the capacity to undertake this work this year and completed only a small element of the initial testing. Also, additional work had to be undertaken on the testing which was undertaken by the Council to ensure it was of the required standard.

We discussed this with the Finance Director and agreed that, as a result, we would undertake the majority of detailed testing. Additionally, errors were identified in the testing undertaken which required further work to be undertaken. This has resulted in additional fee being charged.

## 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.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	24,093	30,680	38,087 *
Pooling of housing capital receipts	1,082	n/a	n/a
<b>Total</b>	<b>25,175</b>	<b>30,680</b>	<b>38,087</b>

Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

\* The proposed actual fee is significantly higher than the prior year outturn. In prior years, the Council undertook all initial and 40+ testing to high standard and minimal errors were identified. The increase in fee reflects the fact that the Council was not able to complete all of the initial testing and none of the 40+ testing required due to capacity issues. We therefore undertook this work. In addition, we identified some errors in the testing which was undertaken by the Council which required us to increase our level of re-performance. This additional fee still needs to be approved by the PSAA.

### 3. Other assurance work

During 2014-15 we also acted as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return

We have provided a separate report to the Council in relation to this return. This work has been undertaken outside the Audit Commission/PSAA regime, and the fees for this are not included in the figures included in this report. 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 (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £18,070. 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.psa.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 Finance Director before seeking any such variation.

## 5. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<b>Housing benefits subsidy claim</b>				
Training for Housing Benefit Assessors should continue and in particular cover overpayment calculation and classification and LHA rent.	Medium			
The Council may also want to consider how it can provide resources to undertake detailed benefits testing by its own staff to reduce the impact of audit fees.	Medium			

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