

Certification of claims and returns annual report 2016/17

Northumberland County Council

March 2018

Ernst & Young LLP



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Members of the Audit Committee
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March 2018

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Dear Members of the Audit Committee

Certification of claims and returns annual report 2016/17 Northumberland County Council

This report summarises the results of our work on Northumberland County Council's ("the Council's") 2016/17 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 2016/17, 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. In addition to this, we also acted as reporting accountants in relation to the Teachers' Pension Return and Pooling of Housing Capital Receipts Return which sit outside of the PSAA regime.

Summary

Section 1 of this report outlines the results of our 2016/17 certification work and highlights the significant issues identified during the course of our work.

We checked and certified the housing benefits subsidy claim with a total value of £84,663,457. We met the submission deadline and we issued a qualification letter, with the details of the qualification matters included in section 1.

We provided separate reports to the Council in relation to the Local Transport Major Projects Return, Teachers' Pension Return and Pooling of Housing Capital Receipts Return. No significant issues were identified as part of this work.



Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016/17 were published by the PSAA in March 2016 and are available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 28 March 2018.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Reid', with a horizontal line underneath.

Stephen Reid
Partner
Ernst & Young LLP
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In April 2015, Public Sector Audit Appointments Ltd (“PSAA”) issued the ‘Statement of responsibilities of auditors and audited bodies’. It is available via the PSAA website (www.psa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment (updated February 2017)’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (“the Code”) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£84,663,457
Amended/Not amended	Not amended
Qualification letter	Yes – confirming progress made against war pension expenditure in 2016/17
Fee – 2016/17	£9,990
Fee – 2015/16	£9,341

Findings in 2015/16	Update in 2016/17
<p>War pension expenditure</p> <p>We identified that claims are not always processed using evidence of the actual War Pension award and therefore there is a risk that war pension income is misstated. As the Council disregards any remaining war pension after the government disregard of £10 there is no impact on subsidy and therefore this was not classified as an error for subsidy purposes.</p>	<p>We note that during 2016/17 the Council has written to all claimants in receipt of war pension for evidence of direct award and received responses from all but 2 individuals. Management have confirmed that they will continue to follow up with these individuals.</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 did not identify any errors of during our initial testing of the 2016/17 housing benefit return.

2. Other assurance work

During 2016/17, we also acted as reporting accountants in relation to the following schemes:

- ▶ Local Transport Major Projects Return;
- ▶ Teachers' Pensions Return; and
- ▶ Pooling of Housing Capital Receipts Return.

We have provided separate reports to the Council in relation to these returns. We did not identify any significant issues from this work that need to be brought to the attention of members.

This work has been undertaken outside the PSAA regime. The fees for these assignments are included in the figures in section 3. They are referred to here to ensure members have a full understanding of the various returns on which we provide some form of assurance.

3. 2016/17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016/17, these scale fees were published in March 2016 and are available on the PSAA's website (www.psaa.co.uk). Teachers' Pension and Pooling of Housing Capital Receipts return fees were set outside of the PSAA arrangement. The fees charged were:

Claim or return	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	9,990	9,990	9,341
Local Transport Major Projects Return	5,000	N/A	5,000
Pooling of Housing Capital Receipts Return	5,000	N/A	5,000
Teachers' Pension Return	5,000	N/A	5,600

4. Looking forward

2017/18

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 2017/18 is £9,341. This was set by PSAA and is based on final 2015/16 certification fees.

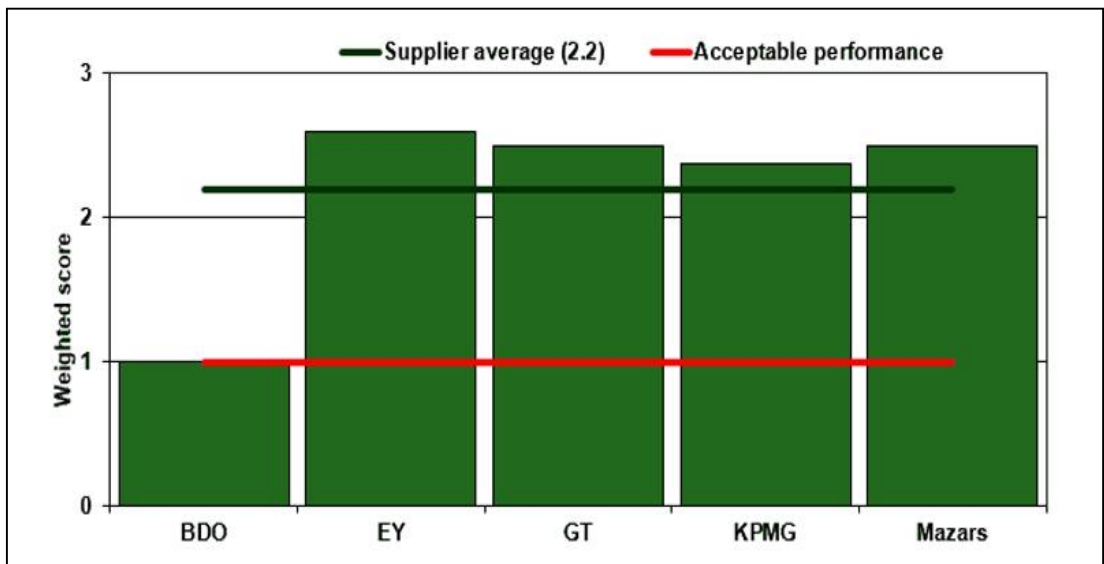
Details of individual indicative fees are available at the following web address:
<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

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

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process ("HBAP") requirements that are being established by the DWP. DWP's HBAP guidance is currently under consultation and is expected to be available in early 2018.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



The certification of the housing benefit return forms part of the contract of our appointment as your statutory auditor from 2018/19, we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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