

Certification of claims and returns annual report 2015-16

London Borough of Hillingdon

15 February 2017

Ernst & Young LLP



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Dear Committee Members,

Certification of claims and returns annual report 2015-16 London Borough of Hillingdon

We are pleased to report on our certification work. This report summarises the results of our work on three London Borough of Hillingdon's 2015/16 claims.

Housing Benefit Subsidy Claim

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 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 '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 your 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 £150,704,929. We met the submission deadline.

Fees for certification work are summarised in section 2. The fees for 2015/16 are available on the PSAA website (www.psa.co.uk).



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Housing Capital Receipts and Teachers Pensions Claims

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

- ▶ Housing capital receipts
- ▶ Teachers' pensions

We have included summaries of work on these schemes for completeness in sections 2 and 3 of this report. This work has been undertaken outside the PSAA regime, and the fees for this are negotiated with the Council and are not included in the figures included in section 4 of this report. We met the deadline for both of the schemes.

We did not identify any significant issues that need to be brought to the attention of Members.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 16 March 2017.

Yours faithfully

Maria Grindley
Executive Director
Ernst & Young LLP

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£150,704,929
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£24,445
Fee – 2014-15	£38,300

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.

Our testing identified several errors in the calculation and classification of benefits awarded to claimant during the year, as presented in the subsidy claim, the findings are summarised below.

Rent Allowances

- ▶ Testing of the initial rent allowances sample identified one case where the Authority had overpaid benefit because the additional earnings disregard was incorrectly awarded. This had the effect of understating the claimant's income. Therefore 40+ extended testing was carried out on earned income cases within Cell 94. The additional testing identified three further errors. Two errors led to an overpayment of benefit, and were therefore included in an extrapolation table within our qualification letter. One error led to an underpayment of benefit which does not affect subsidy and was not classified as an error for subsidy purposes.

We have reported these observations to the DWP in a qualification letter.

Non HRA Rent Rebates

- ▶ Testing of the initial Non HRA sample identified one case where the Authority had underpaid benefit as a result of incorrectly assessing earned income and one case where the Authority had incorrectly input earned income with no impact on subsidy. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.
- ▶ One case was identified where the Authority had overpaid benefit as a result of incorrectly assessing earned income. Therefore 40+ extended testing was carried out on earned income cases within Cell 11. The additional testing identified three further errors. One error led to an overpayment of benefit, and was therefore included in an extrapolation table within our qualification letter. Two errors led to an underpayment of benefit which does not affect subsidy and was not classified as an error for subsidy purposes.

We have reported these observations to the DWP in a qualification letter.

Rent Rebates

- ▶ Initial testing identified one case where the Authority had underpaid benefit as a result of incorrectly inputting earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.
- ▶ One case was identified where the Authority had overpaid benefit as a result of incorrectly assessing earned income and student loan income. Therefore two sets of 40+ extended testing were carried out on earned income and student loan income cases within Cell 55.

Earned income

- ▶ The additional testing identified one error which led to an underpayment of benefit. As this does not affect subsidy it was not classified as an error for subsidy purposes.

Student loan income

- ▶ The additional testing identified three further errors. One error led to an overpayment of benefit, and was therefore included in an extrapolation table within our qualification letter. One error led to an underpayment of benefit and one error did not have an impact on benefit. As this does not affect subsidy it was not classified as an error for subsidy purposes.

We have reported these observations to the DWP in a qualification letter.

2. Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£16,231,738.43
Amended/Not Amended	Not amended
Qualification letter	No
Fee – 2015-16	£4,500
Fee – 2014-15	£4,675

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards then redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and 'right to buy' discount repayments.

We found no errors on the pooling of housing capital receipts return and we certified the amount payable to the pool without qualification.

Note that the Pooling of housing capital receipts is not part of the PSAA contract and we agreed our procedures and fee with the Council prior to our work.

3. Teachers' pension

Scope of work	Results
Value of return presented for certification	£ 109 014 555.47
Amended/Not Amended	Not Amended
Qualification letter	No
Fee – 2015-16	£8,000
Fee – 2014-15	£8,500

The Teachers' Pension Scheme (TPS) is a contributory pension scheme administered by Teachers' Pensions (TP) on behalf of the Department for Education (DfE). Teachers employed in local authority maintained schools and other local authority establishments such as social services, youth services or authority-run training centres may be members of the scheme. For FY15-16 the Teachers' Pensions Regulations 2014, require employers to deduct contributions from teachers' salaries and to send them to TP together with the employers' contributions. Regulation 131 empowers the Secretary of State for Education to seek the necessary returns from employers.

We found no errors on the Teachers' pension scheme and we certified the amount payable to the scheme without qualification.

Note that the Teachers' pension scheme is not part of the PSAA contract and we agreed our procedures and fee with the Council prior to our work.

4. PSAA 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.psa.co.uk).

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	38,300	24,445	24,445

5. 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 £28,725. 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 will inform the Corporate Director of Finance before seeking any such variation.

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