

*Annual Certification Report*  
*2012/13*  
Melton Borough Council

February 2014



The Members of the Governance Committee  
Melton Borough Council  
Parkside, Station Approach  
Burton Street  
Melton Mowbray  
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LE13 1GH

February 2014

Our Reference: 201213/CERT/MBC

Ladies and Gentlemen

### **Annual Certification Report (2012/13)**

We are pleased to present our Annual Certification Report which provides members of the Governance Committee with a high level overview of the results of certification work we have undertaken at Melton Borough Council Council in relation to claims and returns for financial period 2012/13.

### **Results of Certification work**

For the period ended 31 March 2013 we certified three claims and returns worth a final aggregate net total of £23,589,665. Of these, two were amended following certification work undertaken, one of which also required a qualification letter to set out matters arising from the certification of the claim. We set out further details in the attached report.

We ask the Governance Committee to consider:

- the adequacy of the proposed management action plan for 2012/13 set out in Appendix B, and;
- the adequacy of progress made in implementing the prior year action plan in Appendix C.

Yours faithfully,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP -". The signature is written in a cursive, slightly slanted style.

PricewaterhouseCoopers LLP

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# **Introduction**

## *Scope of work*

Grant-paying bodies pay billions of pounds in subsidies and grants each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions; where this is not the case matters are raised in a ‘qualification letter’.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies. Our role is to act as ‘agents’ of the Audit Commission when undertaking certification work; certification work is not an audit but a different form of assurance engagement, the precise nature of which will vary according to the claim or return; we are required to carry out work and complete the auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements and on value for money.

## *Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns*

In November 2010 the Audit Commission updated the ‘Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns’. This is available from the Audit Commission’s website. The purpose of this Statement is to summarise the Audit Commission's framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission’s appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

## *Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies*

In March 2010 the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

# *Results of Certification Work*

# Results of Certification Work

## Claims and returns certified

A summary of the claims and returns certified during the year is set out below. In one case, a qualification letter was required to set out matters arising from the certification of the claim. Two were amended following the certification work undertaken. All deadlines for submission of certified claims and returns were met.

Fee information for the claims and returns is summarised in Appendix A.

### Claims and returns certified for 2012/13

CI Reference	Scheme Title	Form	Original Value (£)	Final Value <sup>1</sup> (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	11,562,995	11,562,973	Yes	Yes
CFBo6	Pooling of Housing Capital Receipts	2012Po6 (on LOGASnet)	311,380	311,380	No	No
LA01	National Non Domestic Rates Return	NNDR3	11,715,312	11,715,312	Yes	No

Please note, some amendments to entries within forms may have no direct impact on final values.

It should be noted that for the 2013/14 period the following changes will apply:-

- LA01 National Non Domestic Rates Return will be removed from the list of those claims and returns requiring auditor certification under the Audit Commission arrangements.
- BEN01 Housing Benefit Scheme – with the implementation of Local Scheme arrangements for Council Tax, this element is removed for subsidy purposes and will not form part of the 13/14 claim.

## *Matters arising*

The most important matters we identified through our certification work are summarised below. Further detail can be found in Appendix B.

### *Housing and Council Tax Benefits Scheme*

Our testing identified a number of errors in relation to the Council's compliance with Housing and Council Tax Benefit regulations. A number of the errors identified could be quantified and in these cases, appropriate amendments were made to the claim form. The total impact of amendments to the original claim form led to a decrease in the total subsidy claimed of £22.

We also reported a number of matters to the DWP in a qualification letter where no amendment could be agreed which would be representative of the whole population. In summary, the matters related to:

- incorrect application of income disregard (two errors identified for Rent Allowance cases);
- incorrect application of tax credits (nine errors identified for Rent Allowance cases);
- incorrect application of assessed income (one error identified for a Rent Rebates case); and
- misclassification of overpayments (total of 12 errors identified for Rent Allowance cases).

Similar errors were identified in our qualification letter from the prior year.

On an ongoing basis we have seen repetitive fails on Modified Schemes which has resulted in auditor testing of the full population; these matters were amended for.

### *Prior year recommendations*

We have reviewed progress made by the Council in implementing the certification action plan for 2011/12. Details can be found in Appendix C.

# *Appendices*



# Appendix A

## Certification Fees

The fees for certification of each claim/return are set out below:

Claim/Return	2012/13 Indicative Fee *	2012/13 Variation**	2012/13 Final Fee**	2011/12 Billed Fee (£)	Comment
	(£)	(£)	(£)		
BEN01 Housing and Council Tax Benefits Scheme	19,480	2,964	22,444	35,648	Scale fee baseline was the 2010/11 fee with a 40% reduction. Since this period there has been an increase in the levels of work required and this is reflected with the variation to original scale fee.
CFB06 Pooling of Housing Capital Receipts	920	Nil	920	1,410	Reduction is due to scale fee discount.
LA01 National Non Domestic Return (NNDR)	3,850	Nil	3,850	4,318	Reduction is due to scale fee discount.
HOU01 HRA Housing Subsidy Claim	n/a	n/a	n/a	3,970	HRA Subsidy Scheme discontinued in 2012/13 due to self-financing arrangements and therefore not subject to certification.
<b>Total</b>	<b>24,250</b>	<b>2,964</b>	<b>27,214</b>	<b>45,346</b>	

These fees reflect the Council's current performance and arrangements for certification.

\*It should be noted that the Audit Commission updated the fee approach for certification in 2012/13. This applied a 40% discount to the 2010/11 billed fee. Indicative fees may subsequently have been updated for Audit Commission approved variations; for example where there was a change in the level of work required.

\*\* Fee variations which are pending Audit Commission approval.

The Council can maintain and continue to improve its performance by:

- continued review final claims / returns against supporting working papers to ensure there are no discrepancies prior to the Authority's signature and provision to the grant paying body and PwC ;
- continued review of guidance issued by the grant paying body in relation to the claim / return and completion;
- ensuring the adequacy of evidence to support the claim / return entries; and
- timely responses and provision of evidence where queries arise.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, time and issues.

At the same time, we welcome closer scrutiny by officers of any certification claims submitted to us for review and continued efforts to ensure that the quality of evidence available to support claims/returns is appropriate. The Council's performance may also be improved by ensuring prior year qualification issues are reviewed and controls assessed to mitigate against similar errors occurring in future periods.

# Appendix B

## 2012/13 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
BEN01 Housing & Council Tax Benefit Scheme (30/11/13)	<p>In total we identified 49 failed cases during the course of our BEN01 certification work.</p> <p>24 failed claims had either no financial impact or resulted in amendments to the original claim form, thus were not included within the qualification letter, however required additional work to be undertaken.</p> <p>25 failed cases were reported in the qualification letter.</p> <p>In summary, the errors identified during 2012/13 related to:</p> <ul style="list-style-type: none"> <li>• incorrect application of income disregards (Rent Allowances);</li> <li>• incorrect application of rent amount (Rent Allowances and Non HRA Rent Rebates);</li> <li>• misclassification of overpayments (Rent Allowances, Council Tax and Non HRA Rent Rebates);</li> <li>• incorrect application of income, including: tax credits, employment income and assessed income (Rent Allowances, Non HRA Rent Rebates and Rent Rebates);</li> <li>• incorrect separation of rent expenditure upon which subsidy can be claimed (Non HRA Rent Rebates); and</li> <li>• miscalculation of modified schemes cases (all benefit types).</li> </ul>	<p>The error types identified each relate to more complex areas, these being application of tax credits, classification of overpayments and application of extended payments. As such the Authority should focus training, support and specifically in year review of claims around these error types.</p> <p>Modified Schemes is an area which has presented a significant number of fails year on year requiring full population testing by the auditor. The Authority should perform checks and training in this area to ensure the accuracy and compliance of the claim submitted for certification work and appropriate awarding of benefit.</p>	<p>Tax Credits - This is already being tackled by targeted QA checks being done on all claims where tax credits have been input or altered by an assessor in the month of January 14. The results will be analysed and used to inform any training/guidance requirements either for an individual or across the board.</p> <p>During 2013/14 we undertook an exercise to introduce almost full automation of uploading Tax Credit data into the Northgate Benefit system using DWP Atlas technology therefore reducing the need for assessor input therefore potentially significantly reducing user error.</p> <p>Extended Payments – This will be covered by a training session delivered to all assessment staff</p> <p>Overpayment classifications – Regular monthly subsidy checks of sample claims recorded in the OP cells will be undertaken by more experienced staff and checked for</p>	<p>Underway Team Leader - Benefits</p> <p>April 2014 Team Leader - Benefits</p> <p>May 2014 Team Leader - Benefits</p>

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
			<p>accuracy – any issues found will feed into training and guidance of assessment staff.</p> <p>Regular targeted QA checks will continue to be carried out to reduce the potential for error entering the system from users and any issues found will also inform any training and guidance required.</p> <p>External advice is to be sought around benefit assessment processes with an aim of highlighting areas for improvement that will reduce error entering into the system.</p> <p>Modified Schemes – as the number of cases are relatively small (currently 17 cases) these will be fully checked by more experienced staff for accuracy prior to the 2013/14 claim submission</p>	<p>Underway Customer Services Team Leader</p> <p>June 2014 - Welfare, Housing and Revenue Manager</p> <p>March 2014 – Team Leader – Benefits</p>

# Appendix C

## 2011/12 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
BEN01 Housing & Council Tax Benefit Scheme (30/11/12)	<p>In total we identified 23 failed cases during the course of our BEN01 certification work.</p> <p>15 failed claims had either no financial impact or resulted in amendments to the original claim form, thus were not included within the qualification letter, however required additional work to be undertaken.</p> <p>8 failed cases were reported in the qualification letter.</p> <p>In summary, the errors identified during 2011/12 related to:</p> <ul style="list-style-type: none"> <li>• Incorrect calculation of eligible rent for temporary accommodation (Non HRA Rent Rebates)</li> <li>• Incorrect omission of non-dependent's income (Rent Rebates)</li> <li>• Miscalculation of earned income and missing evidence to support earned income (Rent Rebates)</li> </ul>	<p>The error types identified each relate to more complex areas, these being application of tax credits, classification of overpayments and application of extended payments. As such the Authority should focus training, support and specifically in year review of claims around these error types.</p>	Agreed	<p>Benefits Team Leader</p> <p>Implementation will commence in May 2013</p>	<p>2012/13 Follow up testing identified the following results:</p> <ul style="list-style-type: none"> <li>• Rent issues have been identified and the claim form appropriately amended.</li> <li>• Issues with non-dependent's income have not been noted.</li> <li>• Issues with the application of income have been identified and included as part of the qualification letter across Rent Allowances, Rent Rebates and Non HRA Rent Rebates.</li> <li>• Modified Schemes continues to be an area of error.</li> </ul>

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
	<ul style="list-style-type: none"> <li>• Incorrect award of council tax benefit for a deceased claimant (Council Tax)</li> <li>• Misclassification of overpayments (Non HRA Rent Rebates and Rent Allowances cases)</li> </ul> <p>Miscalculation of modified schemes cases (all benefit types).</p>				

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## Glossary

### Audit Commission Definitions for Certification work

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#### Abbreviations used in certification work are:-

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**‘appointed auditor’** is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

**‘assurance engagement’** is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

**‘auditor’** is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

**‘authorities’** means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

**‘certification instructions’** (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

**‘certify’** means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

**‘claims’** includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

**‘Commission’** refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

**‘grant-paying bodies’** includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

**‘returns’** are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

**‘Statement’** is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk);

**‘underlying records’** are the accounts, data and other working papers supporting entries on a claim or return.

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