
Annual Certification Report 2014/15 Melton Borough Council

*Government and
Public Sector – Annual
Certification Report to
those charged with
governance.*

December 2015

*PricewaterhouseCoopers LLP, Donington Court, Pegasus Business Park, Castle Donington,
East Midlands, DE74 2UZ
T: +44 (0) 1509 604 000, F: +44 (0) 1509 604 010, www.pwc.co.uk*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



The Members of the Governance Committee

Melton Borough Council
Parkside, Station Approach
Burton Street
Melton Mowbray
Leicestershire
LE13 1GH

Our Reference: 14/15-MBC-BEN01

Ladies and Gentleman

Annual Certification Report (2014/15)

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 the Housing Benefit certification work we have undertaken at Melton Borough Council for financial year ended 31 March 2015.

Our work has been undertaken in accordance with our appointment by Public Sector Audit Appointments Ltd (PSAA) as external auditor. The PSAA is the replacement body of the Audit Commission as at 1 April 2015 and from this date only the Housing Benefit Subsidy claim was subject to certification under this new arrangement. For independent reporting on any other grant claim or return this fell outside of the PSAA arrangement and as such is not included within this report.

We ask the Governance Committee to consider:

- the results of Housing Benefit certification work;
- the adequacy of the proposed management action plan for 2014/15 set out in Appendix A; and
- the adequacy of progress made by the Authority in implementing the prior year action plan in Appendix B.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A Breadon', written in a cursive style.

Ali Breadon
PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP, Donington Court, Pegasus Business Park, Castle Donington, East Midlands, DE74 2UZ
T: +44 (0) 1509 604 000, F: +44 (0) 1509 604 010, www.pwc.co.uk*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



Table of Contents

Results of Certification Work	4
<hr/>	
BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015	4
a) Introduction	4
b) Summary information	4
c) Fee	5
d) Summary of matters arising	5
e) Prior year matters	6
<hr/>	
Appendix A	7
<hr/>	
Management Action Plan: Current year issues (2014/15)	7
<hr/>	
Appendix B	9
<hr/>	
Management Action Plan: Prior year issues (2013/14) – progress made	9
<hr/>	
Glossary	11
Scope of Work	11
Statement of Responsibilities	11
PSAA Definitions for Certification work	11



Results of Certification Work

BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015

a) Introduction

Local Authorities responsible for administering Housing Benefit (HB) for tenants of a local Authority and Rent Allowances for private tenants, claim subsidy from the Department for Work and Pensions (DWP) in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. With the exception of certain areas of benefit spending where Authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent. The final claim form (MPF720A) reflects and Authority's annual position for subsidy owed to / from DWP. DWP use the results of auditor certification on this claim form as part of their determination in the annual settlement or claw back with an Authority.

Public Sector Audit Appointments Ltd (previously known as the Audit Commisison) require that all matters arising are either amended for (where appropriate) or reported within a qualification letter which follows a prescribed format. The certification approach which is to be applied by auditors (acting as agent to PSAA) is defined by the PSAA and they have agreed guidance with the DWP.

The Authority's claim required one amendment to the original claim form as submitted to the DWP in April 2015 and seven qualification letter matters were reported to the DWP. The most important of these matters are summarised in section d) below.

b) Summary information

CI Reference	Scheme Title	Form	Original Value	Final Value	Amendment	Qualification
BEN01	Housing Benefit Subsidy	MPF720A	£8,772,361	£8,769,006	Yes	Yes



c) Fee

Claim/Return	2014/15 Indicative Fee	2014/15 Variation	2014/15 Final Fee	2013/14 Billed Fee	Comments
	£	£	£	£	
BEN01 Housing Benefit Subsidy	18,460	0	18,460	19,639	Reduction in line with the reduced scale fee issued by the PSAA / Audit Commission

The fee reflects the Council's current performance and arrangements for Housing Benefit certification.

d) Summary of matters arising

The most important matters we identified through our Housing Benefit claim certification work are summarised below; further details can be found in Appendix A.

In total, our testing identified eight different types of errors in relation to the Authority's compliance with Housing and Benefit regulations. In one case it was possible to quantify this error and make appropriate amendments to the claim form.

We also reported seven 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 reported in the qualification letter related to:-

- Incorrect application of earnings (one error identified in our initial sample of Rent Allowances)
- Incorrect application of earnings (one error identified in our initial sample of Rent Rebates)
- Incorrect application of capital income (one error identified in our initial sample of Rent Rebates)
- Lack of evidence to support overpayment (one error identified in our initial sample of Rent Allowances)
- Incorrect application of Working Tax and Child Tax Credits (extended testing performed as a result of errors identified in the previous year)
- Incorrect application of pensions (extended testing performed as a result of errors identified in the previous year)
- Misclassification of eligible overpayments (extended testing performed as a result of errors identified in the previous year)

The following error types have been identified in previous years:



- Incorrect application of Working Tax and Child Tax Credits
- Incorrect application of pensions
- Misclassification of eligible overpayments

The extended testing following our initial testing of benefit cases was performed this year by the Authority and we re-performed an element of this work. We are pleased to report that the extended testing undertaken by the Authority's staff was of a good quality.

e) Prior year matters

We have reviewed the progress made by the Authority in implementing the certification action plan for 2013/14; details can be found in Appendix B.



Appendix A

Management Action Plan: Current year issues (2014/15)

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2015)

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>Non-compliance with regulations</p> <p>In total we found 25 errors during the course of our BEN01 certification work.</p> <p>One error resulted in an amendment to the original claim form and was not included within the qualification letter.</p> <p>24 failed cases were reported in the qualification letter to the DWP. The errors related to:</p> <ul style="list-style-type: none"> • Incorrect application of earnings (Rent Allowances); • Incorrect application of earnings (Rent Rebates); • Incorrect application of capital income (Rent Rebates); • Lack of evidence to support overpayments (Rent Allowances); • Incorrect application of pensions (Rent Rebates); • Misclassification of overpayments (Rent Allowances); and • Incorrect application of Working Tax and Child Tax Credits (Rent Allowances) 	<p>There has been a wide range of error types identified in the current year. They relate primarily to the calculation of a claimant's income.</p> <p>Other errors relate to more complex areas: these being application of tax credits and classification of overpayments.</p> <p>The Authority should focus training, support and specifically in year review of claims around these error types.</p>	<p>The level of error has continued to reduce and overall there have been some improvements made. The service area is continuing to be proactive and drive to secure significant improvements in quality to both the customer experience as well as quality of assessments/effectiveness and efficiencies with the under pinning value of making sure the customer receives the correct amount of entitlement as quickly as possible.</p> <p>The assessment staff have undergone a training programme during 2014/15 which covered all aspects of Benefits assessment and basic subsidy knowledge from a legislative perspective in order to support and boost existing and new staff's understanding of</p>	<p>Already completed</p>



		<p>benefit legislation and how this links on a practical level to subsidy claimed. Additionally various in house sessions have taken place throughout 2014/15 covering the errors highlighted in more practical detail.</p> <p>Quality Assurance (QA) checks and the role of QA of a whole has been identified as a priority process for review as part of our Northgate Business Partnership work. This will include a full review of all tools used in the QA work and a full review of the role of QA itself. This work is already underway.</p> <p>Errors highlighted will continue to be a key focus of QA checks and fed into any subsequent training/performance plans as required.</p> <p>Process Reviews of the key areas (New Claims and Changes of Circumstances) are planned for 2016/17 with a focus on quality and efficiency</p>	<p>Already completed</p> <p>MS - 30/03/16</p> <p>JA - Ongoing throughout 2016/17</p> <p>MS - 30/06/16</p>
--	--	---	---



Appendix B

Management Action Plan: Prior year issues (2013/14) – progress made

For 2014/15 under PSAA certification arrangements, the following schemes did not apply:

- CFBo6 Pooling of Housing Capital Receipts
- TRA11 Transport Plan: Major Projects.
- (PEN05 Teachers Pension Return (n/a since 12/13)

Alternative arrangements may have been entered into directly between the grant paying bodies and assurance practitioners, however for the purposes of this report, which is focused on PSAA certification work, these schemes have been excluded; on this basis where issues arose in prior year these are now excluded from the action plan.

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

2013/14 Issue	2013/14 Recommendation	2013/14 Management response	Recommendation Status 2014/15
<p>In total we found 28 errors during the course of our BEN01 certification work.</p> <p>13 errors resulted in amendments to the original claim form and were not included within the qualification letter.</p> <p>15 errors were reported in the qualification letter to the DWP. The errors related to:</p> <ul style="list-style-type: none"> • incorrect application of State Pension rate (Rent Rebates); • incorrect application of rent amount (Rent Allowances); • misclassification of overpayments (Rent 	<p>The error types identified each relate to more complex areas: these being application of tax credits, classification of overpayments and separation of rent expenditure. 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</p>	<p>The level of error has reduced and overall there have been some improvements made. The service area is currently undergoing a review to drive home significant improvements in quality to both the customer experience as well as quality of assessments/effectiveness and efficiencies with the under pinning value of making sure the customer receives the correct amount of entitlement as quickly as possible.</p> <p>The review is comprehensively</p>	<p>The following errors were also identified as part of the 2014/15 testing and reported in the qualification letter to the DWP:</p> <ul style="list-style-type: none"> • one error relating to the application of pensions in Rent Rebates; • five errors relating to the classification of overpayments in Rent Allowances; • four errors relating to the application of Child Tax and Working tax Credits in Rent Allowances; however • no issues in relation to the rent amount



<p>Allowances);</p> <ul style="list-style-type: none"> • incorrect application of tax credits (Rent Allowances); • incorrect separation of rent expenditure upon which subsidy can be claimed (Non HRA Rent Rebates); and • miscalculation of modified schemes cases (all benefit types). 	<p>ensure the accuracy and compliance of the claim submitted for certification work and appropriate awarding of benefit.</p>	<p>covering the following:</p> <p>Performance management Quality Assurance</p> <p>Process reviews</p> <p>Use of technology to reduce fraud and error</p> <p>Targeted checks in order to highlight areas of weakness</p> <p>All of the above together with repetitive Qualification issues are being fed into a structured training plan and revision of practices and procedures which will cover all the areas highlighted on this report.</p> <p>As the errors in Appendix A and B are of a similar nature I would suggest these are amalgamated into one action plan for ease of monitoring</p>	<p>applied in Rent Allowances.</p> <p>Additional errors were identified in the following areas and the claim form was amended to correct for these issues:</p> <ul style="list-style-type: none"> • one error in relation to the separation of rent expenditure upon which subsidy can be claimed (Non HRA Rent Rebates); and • seven errors in relation to the calculation of modified scheme cases in all benefit types.
--	--	--	--

Glossary

Scope of Work

Each year the Department for Work and Pensions (DWP) requests certification by an appropriately qualified auditor, of the Housing Benefit subsidy claim as submitted to them by local Authorities each April. Certification arrangements are made by the PSAA (transitional body for the Audit Commission from 1 April 2015) under Section 28 of the Audit Commission Act 1998 and allows for the DWP to obtain assurance about an Authority's entitlement to Housing Benefit subsidy in respect of their administering of Housing Benefit (HB) for tenants of a local Authority and Rent Allowances for private tenants.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within HBCOUNT Modules and BENO1 Certification Instruction (CI) issued to us by the PSAA; these are designed to provide assurance, for example, that the Authority claim is fairly stated and in accordance with specified terms and conditions.

Our role is to act as 'agent' of the PSAA when undertaking this certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the PSAA.

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

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the PSAA's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

The PSAA publishes a 'Statement of responsibilities of grant-paying bodies, Authorities, the PSAA and appointed auditors in relation to claims and returns' this is available from the PSAA website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, Authorities, the PSAA and appointed auditors in relation to claims and returns.

PSAA Definitions for Certification work

Abbreviations used in certification work are:-

'appointed auditor' is the auditor appointed by the PSAA (previously known as 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;

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

'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;

'Commission' refers to either the PSAA 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;

‘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;

‘HBCOUNT Modules’ are written instructions and a set of mandated tools from the Commission to appointed auditors on the certification of the Housing Benefit claims and returns;

‘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;

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

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

‘Statement’ is the *Statement of responsibilities of grant-paying bodies, Authorities, the PSAA and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

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

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

In the event that, pursuant to a request which Melton Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Melton Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Melton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Melton Borough Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Melton Borough Council and solely for the purpose and on the terms agreed with Melton Borough Council. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.