

Certification of claims and returns annual report 2015-16

Melton Borough Council

20 December 2016

Ernst & Young LLP



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20 December 2016

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Dear Members

Certification of claims and returns annual report 2015-16 Melton Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Melton Borough Council's 2015-16 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 the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, 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.

In addition to this, we also acted as reporting accountants in relation to the Pooling of Housing Capital Receipts return outside the PSAA's regime.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £8,898,106. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We have made a recommendation this year, similar to that made in the previous year as for the most part the issues identified in the previous year do not appear to have been resolved. This is set out in section 5.



We provided separate reports to the Council in relation to the Pooling of Housing Capital Receipts returns with a total value of £1,170,810. There were no significant issues 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 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now 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 7 February 2017 Governance Committee.

Yours faithfully

Stephen Clark
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£8,901,385
Amended	Amended – subsidy reduced to £8,898,106
Qualification letter	Yes
Fee – 2015-16	£14,729
Fee – 2014-15	£18,460

Recommendations from 2014-15	Findings in 2015-16
<p>There has been a wide range of error types identified. They relate primarily to the calculation of a claimant's income. Other errors relate to more complex areas: these being application of tax credits and classification of overpayments. The Authority should focus training, support and specifically in year review of claims around these error types.</p>	<p>The testing performed in 2015-16 continued to find errors in the calculation of claimant's earned income. Further details of these findings are included in section 5.</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.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. 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 our further work to quantify the error or to claw back the benefit subsidy paid. It should be noted that at the time of this report, we have not had sight of final settlement details from DWP.

These are the main issues we reported in our qualification letter:

- Three cases where earned income had been calculated incorrectly – rent allowances and rent rebates (extended testing performed as a result of errors found in the previous year)
- Misclassification of eligible overpayments (extended testing performed as a result of errors identified in the previous year)
- Incorrect application of Working Tax and Child Tax Credits (extended testing performed as a result of errors identified in the previous year)
- Failure to clear manual checks prior to running the subsidy claim completion report resulting in adjustments being required to the claim form.

2. Other assurance work

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

- ▶ Pooling of Housing Capital Receipts return.

This work has been undertaken outside the PSAA regime. The fees for this are included in the figures in Section 3. They are referred to here 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 from this work that need to be brought to the attention of Members.

3. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	14,729	14,729	18,460
Pooling of Housing Capital Receipts	1,600	1,600	1,200

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 2016-17 is £13,845. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. 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.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 Head of Central Services before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

5. Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline
<p>Housing benefits subsidy claim: Non-compliance with Regulations</p> <p>In total we found 28 errors during the course of our BEN01 certification work. These errors were found across a broad spectrum of areas.</p> <p>The Authority should focus training, support and specifically in year review of claims.</p>	High	Corrective steps have been taken over the last couple of years to reduce the repeated errors – e.g. training, repeated reminders for the need to be accurate in these areas and impact of not doing so , Customer Service Centre one to ones picking up repeated QA errors.	31 March 2017

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