

# Certification of claims and returns annual report 2016-17

Melton Borough Council

February 2018

Ernst & Young LLP



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Dear Members

## **Certification of claims and returns annual report 2016-17 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 2016-17 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.

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 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 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 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £8,475,469. 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 £943,955. There were no significant issues identified as part of this work.

The fee for our certification work is summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the 6 February Governance Committee.

Yours faithfully

**Stephen Clark**  
Partner  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£8,475,454
Amended/Not amended	Amended, subsidy increased by £15, to £8,475,469
Qualification letter	Yes
Fee – 2016-17	£16,361 *subject to PSAA approval
Fee – 2015-16	£14,729

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 year's claims. We found errors and carried out extended testing in several areas.

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 out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

### **Benefit software: Reconciliation of benefit granted to benefit paid**

The Authority uses the Northgate benefit software. The software supplier provides a method for the Authority to reconcile benefit granted per the benefit software to benefit paid per the benefit software.

The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differ by £3,646. The authority has performed the software supplier's reconciliation but to fully reconcile benefit granted and paid the authority has also made a balancing adjustment.

### **Overpaid Benefits**

#### **Rent rebate cases – Incorrect earnings figures used**

Testing of 47 cases (value £120,141) identified 5 cases where incorrect income was applied. Of the 5 cases which failed there were 3 where the Authority had overpaid benefit by £139 and 2 where the authority had underpaid benefit due to miscalculating the claimant's income. As there is no eligibility to subsidy for benefit which has not been paid, the 2 underpayments identified were not classified as errors for subsidy purposes.

In line with the certification instructions, we extrapolated the overpayment errors and reported the result to the Department for Work and Pensions.

In 2015/16, we have identified 3 cases where incorrect income was applied, from a sample of 60. 2 cases resulting in an overpayment of benefit of £153 and 1 case where the authority had underpaid benefit.

**Rent allowance cases – Incorrect earnings figures used**

Testing of 46 cases (value £151,138) identified 10 cases where incorrect income was applied. Of the 10 cases which failed there were 4 where the Authority had overpaid benefit by £136 and 6 where there was no effect on benefit payable or authority had underpaid benefit due to miscalculating the claimant's income. As there is no eligibility to subsidy for benefit which has not been paid, these errors were not classified as errors for subsidy purposes.

In line with the certification instructions, we extrapolated the overpayment errors and reported the result to the Department for Work and Pensions.

In 2015/16, we have identified 12 cases where incorrect income was applied, from a sample of 60. 7 cases resulting in an overpayment of benefit of £609 and 5 cases where the authority had underpaid benefit.

**Rent allowance cases – Incorrect rent liability used**

Testing of 60 cases (value £151,138) identified 3 cases where incorrect rent liability was applied. The authority had underpaid benefit due to incorrect rent liability being used. As there is no eligibility to subsidy for benefit which has not been paid, these errors were not classified as errors for subsidy purposes.

There were no similar errors in 2015/16.

**Other errors identified in previous years.**

Other errors identified in previous years include:

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

No errors were identified from extended testing carried out in 2016/17.

## 2. Other assurance work

During 2016-17 we also acted as reporting accountants in relation to:

- ▶ Housing pooling return.

We have provided a separate report to the Council in relation to the return. This work has been undertaken outside the PSAA regime. The fee for this is 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. 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 by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	16,361*	13,845	14,729
Pooling of housing capital receipts	1,600	1,600	1,600

\*subject to approval by PSAA



## 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 £14,729. 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.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

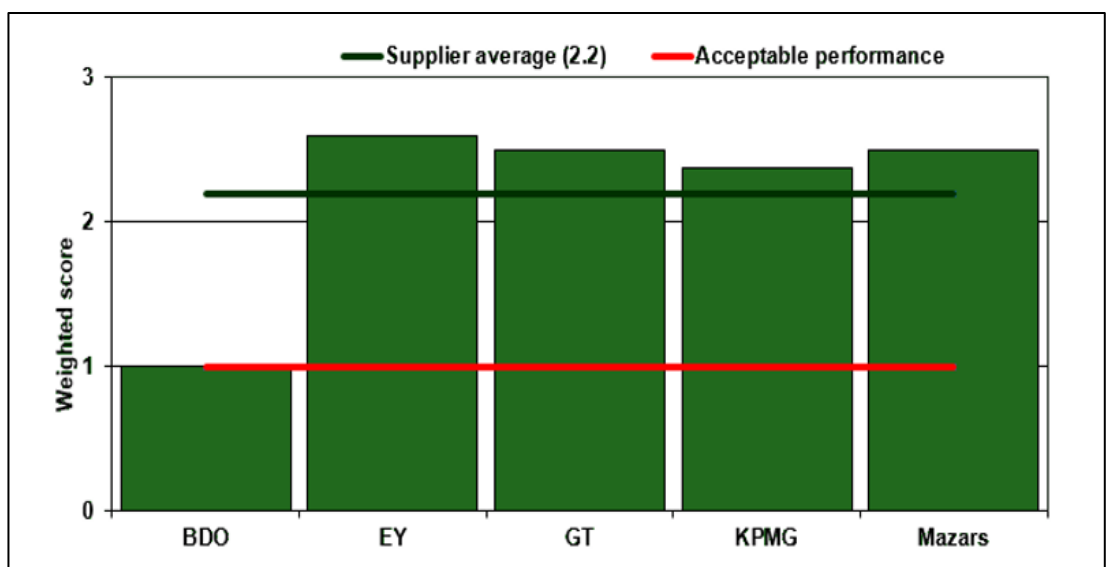
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director for Corporate Services (Section 151 Officer) before seeking any such variation.

### 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 under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

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).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor 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.

## 5. Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline
<p><b>Housing benefits subsidy claim</b></p> <p>In total we found 18 (PY 28) errors during the course of our BEN01 certification work.</p> <p>These errors were found across a broad spectrum of areas. The Authority should focus training, support and specifically in year review of claims.</p>	High	<p>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</p>	31/3/2018



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