



# Certification of claims and returns annual report 2017/18

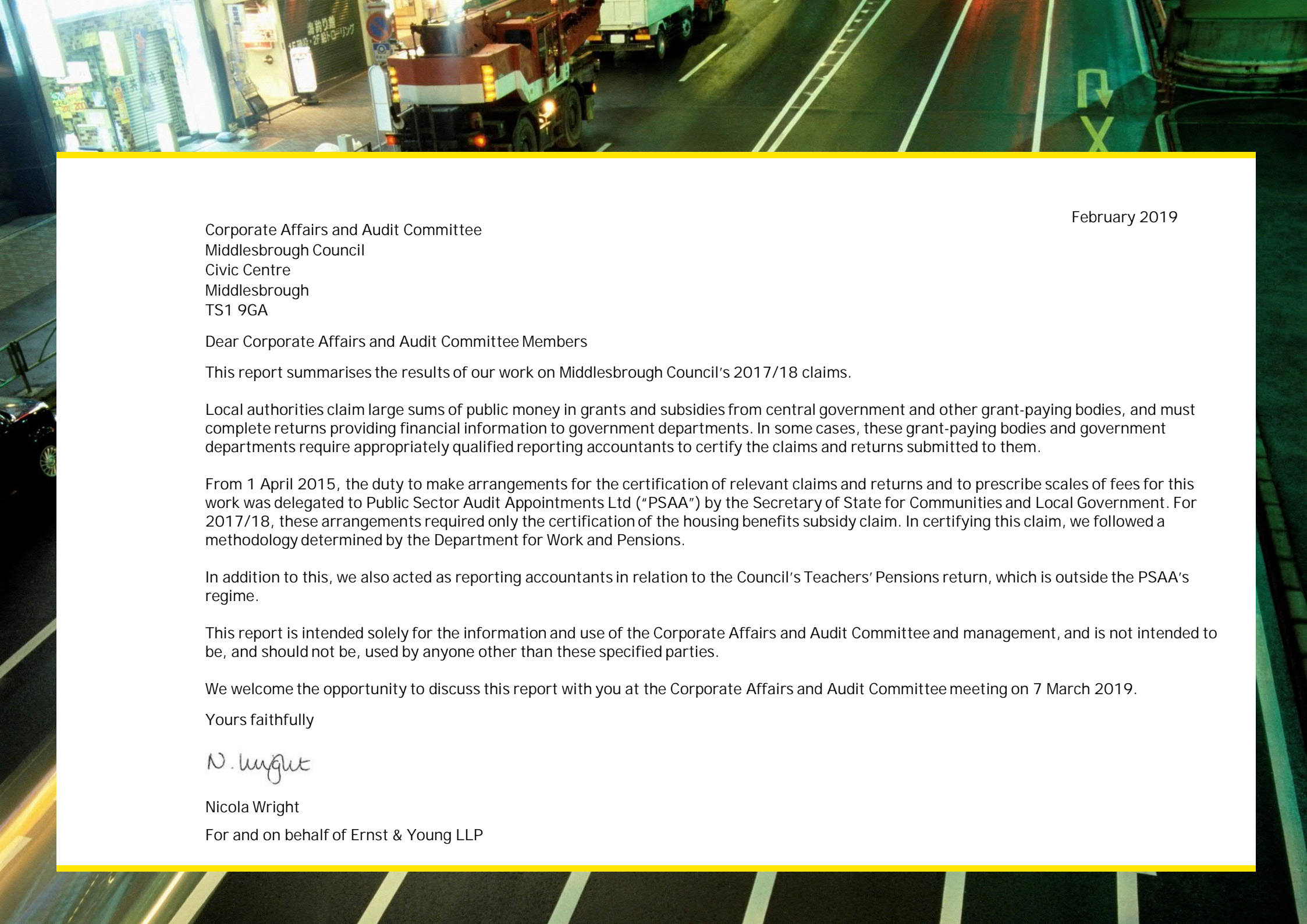
Middlesbrough Council

February 2019



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February 2019

Corporate Affairs and Audit Committee  
Middlesbrough Council  
Civic Centre  
Middlesbrough  
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Dear Corporate Affairs and Audit Committee Members

This report summarises the results of our work on Middlesbrough Council's 2017/18 claims.

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 reporting accountants 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 Public Sector Audit Appointments Ltd ("PSAA") by the Secretary of State for Communities and Local Government. For 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this claim, we followed a methodology determined by the Department for Work and Pensions.

In addition to this, we also acted as reporting accountants in relation to the Council's Teachers' Pensions return, which is outside the PSAA's regime.

This report is intended solely for the information and use of the Corporate Affairs and Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the Corporate Affairs and Audit Committee meeting on 7 March 2019.

Yours faithfully



Nicola Wright

For and on behalf of Ernst & Young LLP

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This report is made solely to the Corporate Affairs and Audit Committee and management of Middlesbrough Council. Our work has been undertaken so that we might state to the Corporate Affairs and Audit Committee and management of Middlesbrough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporate Affairs and Audit Committee and management of Middlesbrough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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# Housing benefits subsidy claim



## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£75,048,595
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2017/18	£10,571
Fee – 2016/17	£13,935 (fee includes scale fee variation of £3,600 following the completion of additional work required by DWP)

### Findings from 2016/17

We set out below the findings from the 2016/17 certification work, along with information as to whether these issues were also identified in 2017/18.

#### 1. War Pensions

In 2016/17, it was identified that the Council does not review actual evidence of war pension income on an annual basis, instead the Council increases each war pension by a set percentage. Therefore there is a risk that war pension income is misstated.

Our testing in 2017/18 identified the same finding, as set out in point two on the following page.

#### 2. Incorrect property leaving date used (Non HRA Rent Rebates)

Testing in 2016/17 identified one case where the date the claimant left a property was incorrectly applied to the claim.

Our testing in 2017/18 identified similar errors, as set out in point three on the following page.

#### 3. Incorrect rental liability (Rent Allowances)

Testing in 2016/17 identified one case where the weekly rent liability used was incorrect.

Our testing in 2017/18 identified one similar error, as set out in point five on the following page.

#### 4. Incorrect calculation of earnings (Rent Allowances)

Testing in 2016/17 identified two cases where earnings had been incorrectly calculated and one case where supporting payslips could not be identified.

In December 2017, DWP contacted the Council requesting the performance of additional procedures in relation to this error. Following the completion of the additional procedures we identified a further two cases where earnings had been incorrectly calculated.

Our testing in 2017/18 identified similar errors, as set out in point four on the following page.

#### 5. Misclassification of expenditure as a backdated expense (Rent Allowances)

Testing in 2016/17 identified one case where expenditure had been incorrectly classified as a backdated expense.

Our testing in 2017/18 identified similar errors, as set out in point five below.

# Housing benefits subsidy claim

## Findings from 2017/18

We set out below the findings from the 2017/18 certification work.

### 1. Signed Claim Form

The original claim form was signed by the Strategic Director of Finance, Governance and Support on 27 April 2018 and submitted to the DWP before the 30 April 2018 deadline. However, after this date the original claim form was misplaced and as a result the Strategic Director of Finance, Governance and Support was required to sign a new claim form on 27 November 2018 as part of the DWP requirements to submit a signed certified claim form before 30 November 2018.

### 2. War Pensions

The Council's policy is to apply a percentage increase to the parameters in the system and then review each claim individually and update using actual evidence of the War Pension award. During detailed testing of the individual cases, we identified that claims are not always processed using actual evidence of the War Pension award and therefore there is a risk that War Pension income is misstated.

### 3. Incorrect property leaving date used (Non HRA Rent Rebates)

Testing of our initial sample identified no errors where the date the claimant left a property was incorrectly applied to a claim. However, as errors were found in this area in 2016/17, we were required to extend our sample by 40 cases. From this additional testing, we identified one case where the incorrect property leaving date had been used. The total value of this error was an overpayment of £1,590, which resulted in an extrapolation of £2,430. We also identified a further claim where it was not possible to determine the property leave date of the claimant. Due to the limited information that was available we were not able to determine the impact of this claim on the subsidy paid, and as a result no extrapolation was calculated. The total value of this claim was £2,955.

### 4. Incorrect calculation of earnings (Rent Allowances)

Our testing of the initial sample identified one case where earnings had been incorrectly assessed resulting in an overpayment of benefit of £1.54. We extended our sample by 40 cases as a result of this error and due to the identification of errors in this area in 2016/17. From this additional testing, two further cases where earnings had been incorrectly calculated were identified, resulting in overpayments of £2.00. The total value of overpayments identified in relation to these three errors was £3.54, which resulted in an extrapolated error of £252.

### 5. Incorrect rental liability (Rent Allowances)

Testing of our initial sample identified no errors due to the use of incorrect rental liabilities. However, as errors had been identified in this area in 2016/17 we extended the sample size by 40 cases and identified one case where benefit had been underpaid by £189. This error was not extrapolated as it does not impact upon the subsidy claimed by the Council.

### 6. Misclassification of expenditure as a backdated expense (Rent Allowances)

Testing of our initial sample identified no errors in relation to the incorrect classification of expenditure as backdated expenses. However, as errors were identified in this area in 2016/17, we were required to extend the sample. From the additional testing, we identified four cases where expenditure had been incorrectly classified as backdated. The total value of these errors was £856, which resulted in a reported extrapolated error of £5,204.



## 02 Other assurance work





## Other assurance work

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### Certification of Teachers' Pensions Return

During 2017/18, we also acted as reporting accountants in relation to the Council's Teachers' Pensions return.

We have provided a separate report to the Council in relation to this return. This work has been undertaken outside the PSAA regime. The fees for this certification work are included in section 3. It is referred to here to ensure Members have a full understanding of the returns on which we provide some form of assurance.

During the review we identified two findings, which were reported to Teachers' Pensions:

1. A number of arithmetical differences were identified when we recalculated the employer and teacher contributions values disclosed in the claim form. Employer contributions were understated by £1.41 and teachers contributions were overstated by £758.65. We performed additional procedures to understand the reason for the difference in teacher contributions, as a result of the size of the difference, and identified £656.97 of the difference related to three Teachers paying contributions based on a higher pensionable salary than they actually received in April 2017. This was identified by the Council in May 2017 and amended in the payroll system.
2. During 2017/18 four teachers made additional pension contributions. Our testing identified that incorrect contribution rates had been applied to the additional contributions deducted for two of these teachers. This resulted in additional contributions being £50.40 higher in the year end claim form than they would have been if the correct contribution rates had been applied.





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## 2017/18 certification fees





## 2017/18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by PSAA and are available on their website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2017/18	2017/18	2016/17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	10,571	10,571	13,935
Teachers' Pension return*	4,000	N/A	4,000

\*Certification fees in respect of the Teachers' Pension return are outside of the PSAA regime.



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Looking forward



## Looking forward

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### 2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that from 2018/19 the Council has appointed us to act as reporting accountant in relation to the Housing Benefit assurance process.

We welcome this opportunity to continue undertaking this work for the Council, providing a seamless quality service, drawing on our vast array of experienced and knowledgeable public sector professionals, whilst realising the efficiencies that are achieved by undertaking both the audit and grant work.

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