

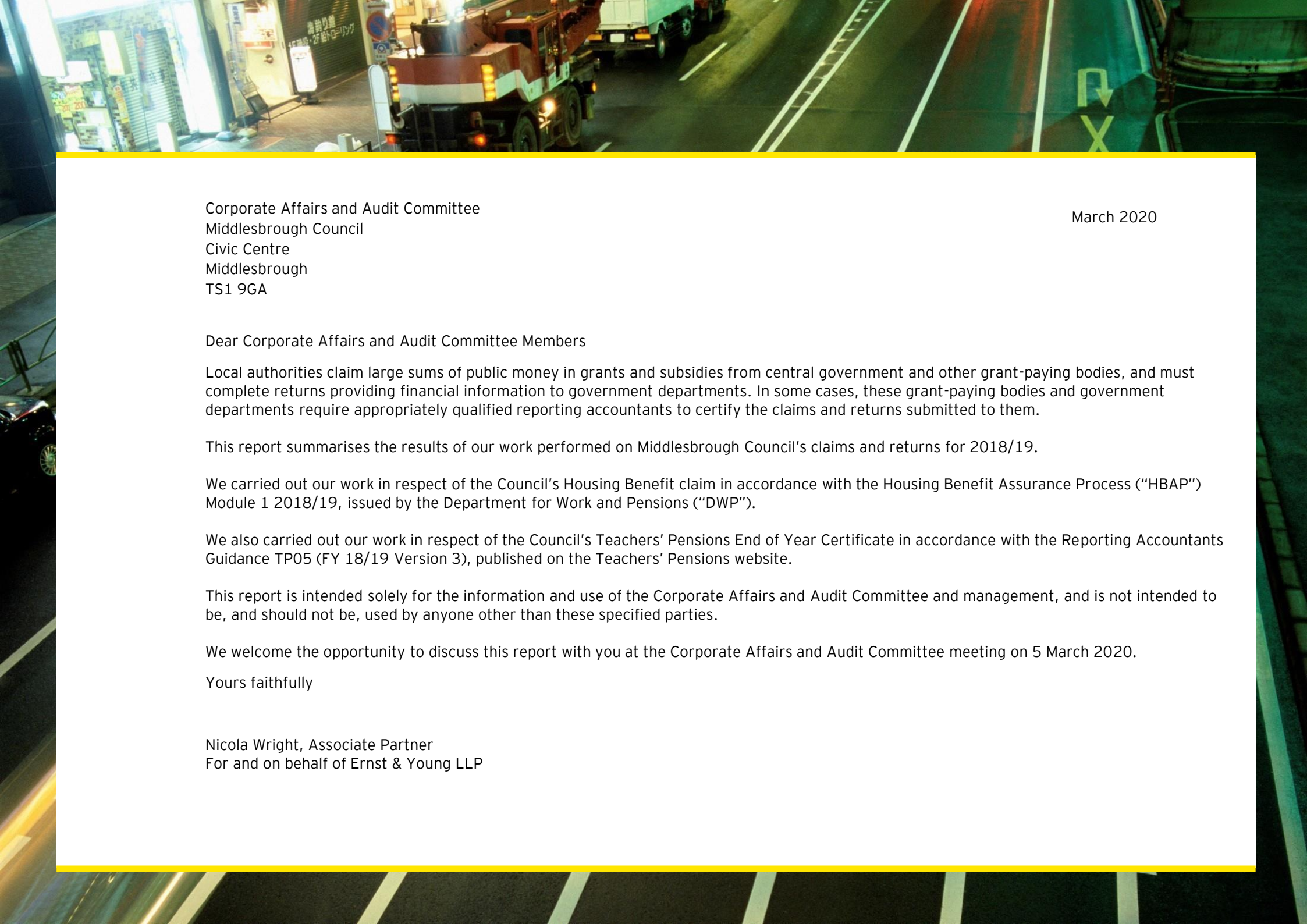
Certification of Claims and Returns Annual Report 2018/19

Middlesbrough Council

March 2020

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

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Corporate Affairs and Audit Committee
Middlesbrough Council
Civic Centre
Middlesbrough
TS1 9GA

March 2020

Dear Corporate Affairs and Audit Committee Members

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.

This report summarises the results of our work performed on Middlesbrough Council's claims and returns for 2018/19.

We carried out our work in respect of the Council's Housing Benefit claim in accordance with the Housing Benefit Assurance Process ("HBAP") Module 1 2018/19, issued by the Department for Work and Pensions ("DWP").

We also carried out our work in respect of the Council's Teachers' Pensions End of Year Certificate in accordance with the Reporting Accountants Guidance TP05 (FY 18/19 Version 3), published on the Teachers' Pensions website.

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 5 March 2020.

Yours faithfully

Nicola Wright, Associate Partner
For and on behalf of Ernst & Young LLP

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The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letters dated 15 November 2019.

This report is made solely to the Corporate Affairs and Audit Committee and management of Middlesbrough Council in accordance with the engagement letters. 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.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or associate partner contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£70,997,971
Amended/Not amended	Not amended
Audit findings	Yes
Fee - 2018/19	£10,500
Fee - 2017/18	£10,571

Findings from 2017/18

We set out below the findings from the 2017/18 certification work, along with information as to whether these issues were also identified in 2018/19.

1. Signed Claim Form

The original 2017/18 claim form was signed by the Strategic Director of Finance, Governance and Support and submitted to DWP in April 2018. The form was then misplaced, requiring the Strategic Director of Finance, Governance and Support to sign a new claim in November 2018 for the final submission to DWP.

For 2018/19, management provided the original claim form signed in April 2019.

2. War Pensions

Testing in 2017/18 identified that the Council's approach is to apply a percentage uplift within the system for War Pension income and then review each claim using evidence of actual War Pensions award, however the review of actual War Pensions award was not always being performed.

Our testing for 2018/19 has identified that this continues to be the case, however we are content that management's application of a percentage uplift is permissible under the guidance issued by DWP. We have not therefore raised this matter as a finding for 2018/19.

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

Testing in 2017/18 identified one case where an incorrect property leaving date had been used, resulting in an overpayment. In addition, we identified one case where insufficient evidence was available for us to determine the date the claimant had left the property and hence assess whether the payment made was correct.

Our testing for 2018/19 identified two cases where incorrect property leaving dates had been used, resulting in one overpayment and one underpayment. See point 3 of our findings for 2018/19.

4. Incorrect calculation of earnings (Rent Allowances)

Testing in 2017/18 identified three cases where the claimant's earnings had been incorrectly assessed, resulting in overpayments.

Our testing for 2018/19 has identified three cases where the claimant's earnings had been incorrectly assessed. See point 2 of our findings for 2018/19.

5. Incorrect rental liability (Rent Allowances)

Testing in 2017/18 identified one case where incorrect rental liabilities had been used, resulting in an underpayment.

Our testing for 2018/19 did not identify any instances where an incorrect rental liability had been used.

Housing benefits subsidy claim

Findings from 2017/18 (continued)

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

Testing in 2017/18 identified four cases where expenditure had been incorrectly classified as backdated.

Our testing for 2018/19 has identified 29 cases where expenditure has been incorrectly classified as backdated expense. See point 1 of our findings for 2018/19.

Findings from 2018/19

We set out below the findings from the 2018/19 certification work.

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

Testing of our initial sample identified no instances where expenditure had been incorrectly classified as backdated. However, as errors were found in this area for 2017/18, we were required to extend our sample by 40 cases. From this additional testing, we identified 29 cases where expenditure had been incorrectly classified as backdated. The total value of these errors was £2,777, which resulted in a reported extrapolated error of £17,169.

2. Incorrect calculation of earnings (Rent Allowances)

Testing of our initial sample identified no instances where the claimant's earnings had been incorrectly assessed. However, as errors were found in this area for 2017/18, we were required to extend our sample by 40 cases. From this additional testing, we identified three cases where the calculation of the claimant's earnings was incorrect. The total value of these errors was an underpayment of £126. We have not extrapolated these errors as the Council has no eligibility to subsidy from DWP for benefits not paid, therefore they have no impact on the subsidy claim submitted to DWP.

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

Testing of our initial sample identified no instances where the property leaving date used to calculate payment was incorrect. However, as errors were found in this area for 2017/18, we were required to extend our sample by 40 cases. From this additional testing, we identified one case where an incorrect property leaving date had resulted in an overpayment. The value of this overpayment was £43, which resulted in an extrapolated error of £167.

Our additional testing also identified two cases where an incorrect property leaving date had resulted in an underpayment. The total value of these errors was £43. We have not extrapolated these errors as the Council has no eligibility to subsidy from DWP for benefits not paid, therefore they have no impact on the subsidy claim submitted to DWP.



02

Other assurance work





Other assurance work

Certification of Teachers' Pensions Return

During 2018/19, we acted as reporting accountants in relation to the Council's Teachers' Pensions return.

During our review of the Council's End Of Year Certificate ("EOYC") form, we identified the following matters which were reported to Teachers' Pensions:

1. A number of arithmetical differences were identified when we recalculated the teachers' contribution values disclosed in the EOYC form. We performed additional procedures to understand the reason for these differences and identified that between April 2018 and October 2018 15 teachers were assigned to the incorrect contribution tier, resulting in these teachers overpaying contributions by a total of £1,061. This was identified by management in November 2018 and refunds arranged for the teachers involved. Salary information, which is reported by tier in the EOYC form, did not reflect the correction of the contribution tier for these individuals and was therefore misclassified. This misclassification is what gave rise to our arithmetical differences.
2. During 2018/19, four teachers made additional pension contributions. Our testing identified that the additional contributions had been incorrectly determined for one of these teachers, resulting in an overpayment of additional contributions of £5.



03

2018/19 certification fees



2018/19 certification fees

In previous years, the review of the Housing Benefit subsidy claim was covered by the Public Sector Audit Appointments Limited (“PSAA”) contract. Fees for this work were determined by PSAA and made available on their website (www.psaa.co.uk). For 2018/19, management were required to appoint their own reporting accountants in relation to the Housing Benefit assurance process.

The certification of the Council’s Teachers’ Pensions return was already outside of the PSAA contract, therefore there has been no change in respect of this assurance work.

Our fees for the 2018/19 work are detailed below.

Claim or return	2018/19	2017/18
	£	£
Housing Benefits subsidy claim	10,500	10,571
Teachers’ Pension return	4,500	4,000
Total	15,000	14,571

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