
Annual Certification Report 2014/15 Hinckley and Bosworth Borough Council

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

December 2015

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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 Finance, Audit and Performance Committee

Hinckley & Bosworth Borough Council
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December 2015

Our Reference HBBC/201415/Cert

Ladies and Gentleman

Annual Certification Report (2014/15)

We are pleased to present our Annual Certification Report which provides members of the Finance, Audit and Performance Committee with a high level overview of the results of the Housing Benefit certification work we have undertaken at Hinckley and Bosworth Borough Council for financial year ended 31 March 2015.

Our work has been undertaken in accordance with our appointment by Public Sector 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 Finance, Audit and Performance 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,



Ali Breadon
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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 an 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 five amendments to the original claim form as submitted to the DWP in April 2015 and five 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	18,357,366	18,358,419	Yes	Yes

*Some amendments have no impact on the overall value of the claim.

c) Fee

Claim/Return	2014/15 Indicative Fee	2014/15 Variation	2014/15 Final Fee	2013/14 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	19,330	0	19,330	24,794	£5,000 fee variation obtained in 2013/14 owing to significant number of additional errors identified.

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 10 different types of errors in the Authority's compliance with Housing and Benefit regulations. For five of these types of error it was possible to quantify the errors and make appropriate amendments to the claim form.

We also reported five 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 pensions (one error identified in our initial sample of Rent Allowances).
- Incorrect application of non-dependant deductions in Rent Allowances (extended testing performed as a result of errors identified in the previous year).
- Incorrect deduction of pension contributions from earnings (one error identified in our initial sample of Rent Allowances).

The following error types had been identified in previous years:

- Incorrect application of earnings in Rent Allowances
- Incorrect application of pensions in Rent Allowances
- Incorrect application of non-dependant deductions in Rent Allowances

As a result of the identification of errors last year and from our early work on the BENO1 2014/15 return, extended testing was required. The Authority's staff undertook this extended testing and we re-performed an element of this work. We are pleased to report that the extended testing carried out by the Authority's team 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 In total we found 39 errors during the course of our BEN01 certification work. 20 errors resulted in amendments to the original claim form and were not included within the qualification letter. 19 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 (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 pensions (one error identified in our initial sample of Rent Allowances). • Incorrect application of non-dependant deductions in Rent Allowances (extended testing performed as a result of errors identified in the previous year). • Incorrect deduction of pension contributions from earnings (one error identified in our initial sample of Rent Allowances). 	<p>The error types identified each relate to the calculation of a claimant's income. As such the Authority should focus training, support and specifically in year review of claims around these error types.</p>	<p>We are happy with the factual accuracy of the report.</p> <p>The majority of the errors identified related to the calculation of earnings. As a result our training officer is arranging both refresher and in-depth training on the treatment of earnings for all assessment staff.</p> <p>Additionally a desk aid will be created providing, amongst other areas, guidance on:</p> <p>Salary sacrifice Effective dates Payment frequencies</p> <p>This will serve as an easily accessible reference tool.</p> <p>It is also our intention to use the system to review and sample test certain types of claims that due to their complexity tend to have a higher incidence of error. These will include but not limited to self-employed and occupational pension cases.</p> <p>The quality checking regime will continue throughout the year.</p> <p>The majority of errors highlighted in the</p>	<p>January 2016</p>

		qualification letter were small in value and so did not have a detrimental impact on the amount paid in subsidy.	
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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.

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 57 errors during the course of our BEN01 certification work.</p> <p>23 errors resulted in amendments to the original claim form and were not included within the qualification letter.</p> <p>34 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 pensions (Rent Allowances); • Incorrect application of tax credits (Rent Allowances); • Misclassification of overpayments (Rent Allowances and Rent Rebates); • Incorrect application of Jobseekers' 	<p>The error types identified each relate to various aspects; these being application of tax credits, income and classification of overpayments. 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 ensure the accuracy and compliance of the claim submitted for certification work and appropriate awarding of benefit.</p>	<p>We will be arranging refresher training for all assessment staff.</p> <p>Specifically we have set up a focus group comprising of the quality assurance team, training officer and team leaders to address the areas of concern raised by the subsidy audit. This includes putting together updated guidance to support the decision making process.</p> <p>A new quality checking regime will also be put in place to ensure the appropriate reviews take place in year.</p> <p>In respect of modified scheme because these contain more complex income calculations our intention is to have these assessed by senior officers only.</p> <p>Modified schemes were not highlighted as an issue in the qualification letter for this year;</p>	<p>2014/15 follow up testing identified:</p> <ul style="list-style-type: none"> • six errors relating to the application of earnings in Rent Allowances; • three errors relating to the application of pensions in Rent Allowances; • one error relating to the application of non-dependent deductions; and • no issues in relation to the misclassification of overpayments; application of tax credits; application of Jobseekers' allowance or claim dates. <p>Additional errors in relation to Modified Schemes were identified and the claim form was amended to correct for these issues.</p>

<p>allowance (Rent Allowances);</p> <ul style="list-style-type: none"> • Incorrect application of non-dependent deductions (Rent Allowances); and • Incorrect claim dates (Rent Rebates). 		<p>however the claim form did require amending prior to submission. The majority of errors highlighted in the qualification letter were small in value and so did not have an impact on the final claim. The value of the final claim exceeded the provisional estimates.</p>	
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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 Hinckley & Bosworth 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"), Hinckley & Bosworth 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. Hinckley & Bosworth 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, Hinckley & Bosworth 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.

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