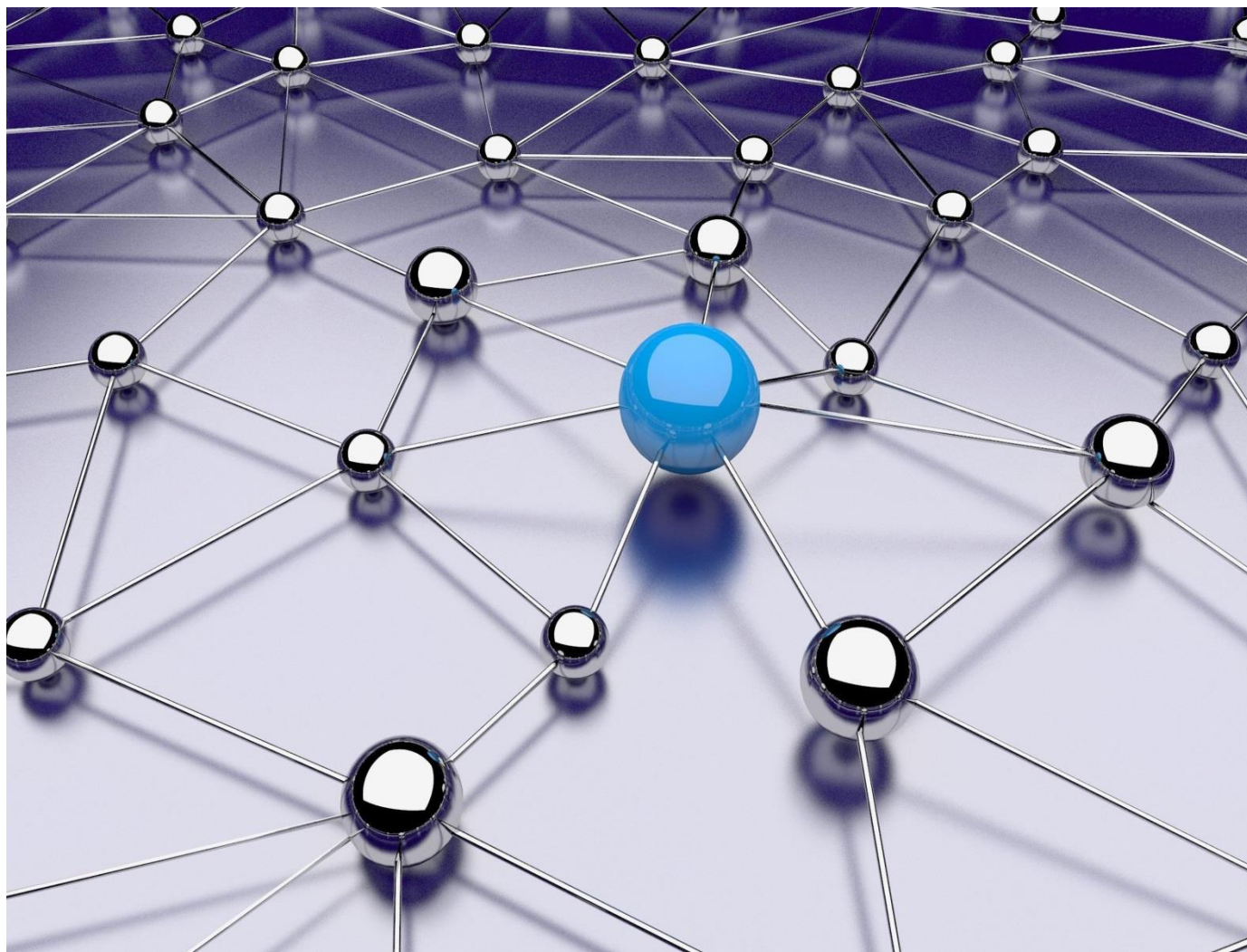


# North Tyneside Council

## Certification of claims and returns

Annual report 2014/15



**North Tyneside Council**

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# 1 Background

## The scope of our work

Previously, as the Council's appointed auditor, we acted as an agent of the Audit Commission. The Local Audit and Accountability Act 2014 transferred the Audit Commission's responsibilities to make certification arrangements for specified claims and returns to Public Sector Audit Appointments (PSAA). For 2014/15, the only claim or return within this regime was the housing benefit subsidy return.

In 2014/15 the prescribed tests for our housing benefits work were set out in the Audit Commission's HBCOUNT module and BEN01 Certification Instructions.

During the year we have also been engaged directly by the Council to undertake assurance work on the pooled capital receipts return. This engagement was outside of the Audit Commission/PSAA regime. We have included the results of this work in this report to give Members a full understanding of our assurance and certification work for 2014/15.

## Our certificate

For the housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

For claims and returns that fall outside of the Audit Commission/PSAA regime, we issue an assurance report or provide assurance in accordance with the requirements of the grant-paying body.

## 2 Findings

### The Council's control environment

There are specific arrangements for the certification of the housing benefit claim and for the pooling of housing capital receipts return which do not require us to assess the control environment.

We have not noted any weaknesses in your control environment for the teachers' pensions return.

### Amendments and Qualifications

The tables below show the claims and returns which were certified in 2014/15.

#### Audit Commission/PSAA grant claims or returns

Claim or return	Value of claim or return	Amended	Qualified
Housing benefit subsidy	£76,085,242	Yes – a number of amendments to cells. This led to total subsidy reducing by £1,106 from £76,086,348.	Yes – qualification letter issued to the Department on 26 November 2015.

#### Non Audit Commission/PSAA grant claims and returns

Claim or return	Value of claim or return	Amended
Pooling of housing capital receipts	£3,938,330	No
Teachers' pensions	£59,191,594.50	Yes – amendments to some sub-cells in return however value of claim and overall balance remained the same.

### Housing benefit subsidy

Due to the complex nature of this benefit and the large number of claims processed each year there are specific arrangements in place for certifying this claim. This involves initial testing of a random sample of 20 claims from each of the three headline cells with the results then determining what additional testing is required. Where possible the claim will be amended for errors identified but in many cases, due to the nature of the error, it is only possible to extrapolate errors and report to Department for Work and Pensions.

The errors identified in 2014/15 are set out in the action plan at Appendix A. As part of our planning for the 2015/16 subsidy return, we will consider action taken in respect of the 2014/15 errors.

## **Non PSAA grant claims and returns**

### **Pooling of Housing Capital Receipts**

Since 2004/05, local authorities have paid part of their receipts from the disposal of housing into a national pool run by the Department for Communities and Local Government (DCLG). They are also required to pool a part of other receipts such as mortgage principal repayments.

We have carried out our work on the Council's pooling of housing capital receipts return in line with instructions issued by DCLG and concluded the return was prepared, in all material respects, in accordance with the terms and conditions as set out in DCLG's instructions.

### **Teachers' Pension Return**

The Teachers' Pension Scheme is a contributory pension scheme administered by the Teachers' Pensions Agency on behalf of the Department for Education. Teachers employed in local authority maintained schools and other local authority establishments may be members of the scheme.

The Council is required to submit a return (EOYCa) showing teachers' pension contributions deducted and paid to the Teachers' Pensions Agency in the year.

For 2014/15, we concluded that the EOYCa for the year ended 31 March 2015 had been prepared, in all material respects, in accordance with the regulations underpinning the Teachers' Pension scheme (TPS). Without qualifying our opinion, we did report one matter in line with the requirements of Reporting Accounting Guidance (TP05). Reporting Accountant Guidance TP05 states that "Reporting accountants should agree the total refund to authority working papers and agree a sample of refunds made directly by the Authority to teachers". The matter reported was that the refunds figure in the return included £12,255.52 which was the overall balance on the 2013/14 return, as the Council reduced its payments to TPS during 2014/15 by this amount in line with the email from TP Audit dated 19 December 2014.

### 3 Fees

Prior to its abolition, the Audit Commission set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work, as outlined in the table below, is in line with the indicative fee.

For claims and returns that fall outside of the Audit Commission/PSAA regime, we agree a fee with Council officers prior to commencing our work.

#### Audit Commission/PSAA grant claims or returns

Claim or return	2014/15 indicative fee	2014/15 final fee	2013/14 final fee
Housing benefit subsidy	£16,100	£16,100	£22,628 (Note 1)

Note 1: in 2013/14 an additional fee of £8,200 was charged to reflect the extra time taken in certifying this claim for the following reasons:

- key benefits staff (who prepared the original claim) were unavailable to help answer queries and to agree the errors we identified in our testing;
- where errors are identified in our initial testing, further extended testing is required to be undertaken. To help minimise costs, the extended testing was undertaken by officers and then reviewed by the auditor. However, as this was the first year benefits staff had completed this additional testing, additional time was required.

#### Non Audit Commission/PSAA grant claims and returns

Claim or return	2014/15 fee	2013/14 fee
Pooling of housing capital receipts return	£1,800 (Note 2)	£635 (Note 3)
Teachers' Pensions return	£3,750	£3,750

Note 2: the 2013/14 fee was the scale fee set by the Audit Commission as this return previously came under the remit of the Audit Commission. For 2014/15, the fee represented the minimum hours we considered necessary to carry out the work.

Note 3: this return was part of the Audit Commission regime in 2013/14 but is shown in the other table for ease of year-on-year comparison.

## Appendix A: Housing benefit subsidy return action plan

2014/15 errors identified	Recommendation	Management response	Officer responsible	Timescale
<p><b>Part-week claims manual adjustment</b></p> <p>The manual exercise to correct the split of benefit awarded for part-week claims was not undertaken in 2014/15 prior to submission of the draft return; this was subsequently done prior to submission of the final return.</p>	If the bug in Northgate system in relation to part week claims in cell 011 is not resolved, ensure the manual exercise is undertaken for 2015/16.	This bug has now been resolved and a work around exercise is not required for 2015/16.	J. Errington	2015/16 return submission – April 2016
<p><b>Calculation of earned income</b></p> <p>As in previous years, errors were found in calculation of earned income in some of the claims we tested, resulting in both under and overpayment of benefits.</p>	Review the previous year error to ensure it does not reoccur in 2015/16.	This error was a clerical inputting error and staff have been advised / reminded of the importance of accuracy. QA checking is in place to monitor for such errors.	J. Errington	2015/16 return submission – April 2016
<p><b>Eligible rent errors</b></p> <p>In both 2012/13 and 2013/14 there was an error in eligible rent for a rent allowance claim, therefore in 2014/15 we undertook further testing of 40 cases in cell 094 to check that eligible rent was correctly recorded. Again an error was found in one case, albeit it was different type of error.</p>	Review the previous year error to ensure it does not reoccur in 2015/16.	Again this was clerical inputting error and staff have been advised / reminded of the importance of accuracy. QA checking is in place to monitor for such errors.	J. Errington	2015/16 return submission – April 2016
<p><b>Uncashed cheques</b></p> <p>Testing of uncashed cheques identified one had been incorrectly recorded on the claim form. The Council therefore checked the remaining entries in this cell and amended the claim as necessary.</p>	Review the previous year error to ensure it does not reoccur in 2015/16.	Procedures have been revised and a new process introduced to mitigate against this error.	J Errington	2015/16 return submission – April 2016
<p><b>Roundings between return cells</b></p> <p>The return contains some cells which should have identical values - headline cells and in-year reconciliation cells and</p>	Review the 2015/16 return to ensure there are no rounding differences	Checks have been put in place to review the return prior to submission.	M Ripley	2015/16 return submission –



2014/15 errors identified	Recommendation	Management response	Officer responsible	Timescale
<p>total of modified claims.</p> <p>However due to the return being in £s rather than pence, which is the level of detail in housing benefits system, there were several cells where a difference occurred due to rounding.</p> <p>This issue was also raised a few years ago.</p>	between cells.			April 2016
<p><b>Date of return</b></p> <p>A human error was made when recording the date return was signed – dated 28/4/14 not 28/4/15.</p>	Review the previous year error to ensure it does not reoccur in 2015/16.	Checks have been put in place to review the return following signing and prior to submission.	M Ripley	2015/16 return submission – April 2016
<p><b>Pension uprating</b></p> <p>Initial testing identified that a claimant's private pension had been incorrectly uprated when it was a fixed payment. This error would only ever result in an underpayment of benefit.</p>	Review the previous year error to ensure it does not reoccur in 2015/16.	Previous practise was not to up rate automatically and this picked up by Audit with the recommendation that an up rating percentage be applied. This was implemented. As a result of this practise where the claimant is in receipt of a fixed payment the figure will be up rated resulting in an underpayment. The claimant is notified of the applied figures and the expectation is that claimant will advise in such circumstances.	Not applicable	2015/16 return submission – April 2016
<p><b>House type reclassification</b></p> <p>Due to a reclassification of one house type from one headline cell to another, which was not corrected in housing benefits system until January 2015, a manual adjustment was required and when making this adjustment an error was made in one claim.</p>	No recommendation raised as these properties will be correctly classified in the system from January 2015; therefore a manual adjustment will not be required when completing the 2015/16 return.	Not applicable.	Not applicable	Not applicable



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