

---

# *Annual Certification Report 2014/15 Darlington Borough Council*

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

*December 2015*



## **The Members of the Audit Committee**

Darlington Borough Council  
Town Hall  
Feethams  
Darlington  
County Durham  
DL1 5QT

December 2015

Ladies and Gentleman

## **Annual Certification Report (2014/15)**

We are pleased to present our Annual Certification Report which provides members of the Audit Committee with a high level overview of the results of the Housing Benefit certification work we have undertaken at Darlington Borough Council for the 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 Audit Committee to consider:

- the results of Housing Benefit certification work; and
- the adequacy of the proposed management action plan for 2014/15 set out in Appendix A.

Yours faithfully,

PricewaterhouseCoopers LLP

---

*PricewaterhouseCoopers LLP, Central Square South, Orchard Street, Newcastle upon Tyne, NE1 3AZ*  
*T: +44 (0) 191 232 8493, F: +44 (0) 191 269 4400, [www.pwc.co.uk](http://www.pwc.co.uk)*

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.

---

# *Table of Contents*

---

Results of Certification Work	4
<hr/>	
BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015	4
a) Introduction	4
b) Summary information	4
c) Fee	5
d) Summary of matters arising	5
e) Prior year matters	6
<hr/>	
Appendix A	7
<hr/>	
Management Action Plan: Current year issues (2014/15)	7
<hr/>	
Glossary	10
Scope of Work	10
Statement of Responsibilities	10
PSAA Definitions for Certification work	10

# 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 the Authorities 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 appropraite) 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 claim required five amendments to the original claim form as submitted to the DWP in April 2015 and two qualification letter matters. The most important of these matters are summarised in section d) below.

### *b) Summary information*

<b>CI Reference</b>	<b>Scheme Title</b>	<b>Form</b>	<b>Original Value</b>	<b>Final Value</b>	<b>Amendment</b>	<b>Qualification</b>
BEN01	Housing Benefit Subsidy	MPF720A	38,723,381	38,704,062	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 Proposed Final Fee**	2013/14 Billed Fee	Comment
	£	£	£	£	
BENo1 Housing Benefit Subsidy	11,880	tbc	tbc	11,881	
CFBo6 Pooling of Housing Capital Receipts	N/A	N/A	N/A	1,483	This scheme was removed from Audit Commission arrangements for 2014/15
<b>Total</b>	<b>11,880</b>	<b>tbc</b>	<b>tbc</b>	<b>13,364</b>	

The fee reflects the Council's current performance and arrangements for Housing Benefit certification.

\* Indicative fees may subsequently be updated for PSAA approved variations; for example where there was a change in the level of work required.

\*\* Fee variations which are pending PSAA approval. At the time of writing we had only recently concluded our certification work. Additional time was required in resolving the issues set out in this report and we will agree an appropriate variation to our fee with the PSAA and the Authority.

The Council can maintain and continue to improve its performance on Housing Benefits by:

- ensuring that the required system reports are cleared down at year end prior to running of the final claim form;
- undertaking a manual review and adjustment for a known system error where overpayments are not correctly dealt with in relation to the LHA cap on non-HRA cases; and
- improving cooperation between the Housing Options and Housing Benefits departments to ensure that Housing Benefits have the required evidence to support rent charged and nights occupied for non-HRA cases.

### 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.

Our testing identified a number of errors in relation to the Authority's compliance with Housing and Benefit regulations. In a number of cases it was possible to quantify these errors and make appropriate amendments to the claim form.

In summary these matters related to:

- an isolated instance where a bed and breakfast property was incorrectly classified as licensed accommodation;
- no amendments being made for a system issue where overpayments are not correctly dealt with in relation to the LHA cap on non-HRA cases;

- adjustments to clear down system reports which had not been done prior to the running of the claim form;
- entries erroneously made in the non-HRA backdated expenditure cell where no such backdates exist; and
- a manual transposition error made when completing the form from system reports.

However, we also reported two matters to the DWP in a qualification letter where no amendment could be agreed which would be representative of the whole population.

These matters related to:

- an error made when entering uprating parameters which has not impacted the claim form but which is necessary to report; and
- technical non-compliance with the subsidy order concerning the date of the final payment run for the year which it is hoped the DWP will require no further action on.

None of these errors types have not been identified in previous years.

The extended testing following our initial testing of benefit cases was performed by the Authority.

The potential loss of subsidy to the Authority as a result of our findings is an estimated net impact of £19k. It should be noted that at the time of this report, we have not had sight of the final settlement details from DWP.

### *e) Prior year matters*

We did not identify any issues in the prior year which required an action plan.

# 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>For non-HRA expenditure on licensed accommodation the Authority can only claim subsidy on expenditure up to the lower of the one bedroom self-contained LHA rate and the upper limit (£375). This is entered in cell 12 with any expenditure above this limit required to be entered in cell 13 which is not eligible for subsidy.</p> <p>The system initially correctly calculates this cap and cell entries. However, when an overpayment is subsequently charged to a case then the system fails to recalculate the cell 12 and 13 entries in relation to the cap and instead simply apportions the overpayment between the two cells.</p> <p>This can lead to a loss of subsidy as a balance is left in cell 13 when all of it is eligible for cell 12.</p> <p>Northgate have confirmed that this is a known system issue.</p>	<p>The Authority should review all non-HRA cases with a cell entry in both cell 12 and in an overpayment cell to confirm that the application of the LHA cap split between cells 12 and 13 has been made correctly and where it has not post a manual adjustment to correct for this.</p>	<p>All entries in cells 12 and 13 will in future be checked for accuracy and manually adjusted, if required.</p> <p>We will work with Northgate to ensure the system issue is resolved.</p>	<p>Head of Revenues and Benefits (already implemented)</p>
<p>The system produces BenchK reports which show potential errors in the claim form. It is a requirement that these issues are resolved prior to running of the claim form.</p> <p>These reports had not been cleared down before running of the claim form in 2014/15.</p>	<p>Authority to ensure that BenchK reports are cleared down prior to running of the claim form.</p>	<p>The BenchK reports are now being run on a monthly basis and we will ensure these are cleared down before the running of future claims.</p>	<p>Head of Revenues and Benefits (already implemented)</p>

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>As part of our sample of non-HRA cases one of the cases had an entry in the backdate cell (038). This is an additional disclosure on the claim and does not affect subsidy.</p> <p>Backdating is only allowed when a claimant has requested backdating in writing has demonstrated good cause for failing to make the claim earlier. Simply failing to claim is not sufficient good cause.</p> <p>In this case no backdating request was identified. And as the claim form was signed on the date of moving into the property no backdating had occurred.</p> <p>From discussions with the Authority the likely cause of this error is claim forms being signed when the claimant moves in but a delay in passing on the claim forms from Housing Options to Housing Benefits has led the latter to mistakenly believe that these are late claims requiring a backdate.</p>	<p>We recommend that the Authority ensure that assessors are aware of the requirements for backdating; that claim forms are passed from Housing Options to Housing Benefits in a timely manner; and that any backdate entries for non-HRA claims are investigated by the Authority to confirm this classification is correct before submitting the return for audit.</p>	<p>This issue has been discussed with assessment staff and all entries in cell 38 will in future be checked for accuracy. Any incorrect entries will be adjusted and issues fed back to staff.</p>	<p>Head of Revenues and Benefits (already implemented)</p>
<p>We identified an isolated instance where a bed and breakfast property was incorrectly classified as licensed accommodation. This could affect the amount of subsidy the Authority is entitled to.</p> <p>This is a manual assessor error.</p>	<p>We recommend that assessors are notified that this error has occurred and requested to take additional care when completing this entry in the future.</p>	<p>This issue has been discussed with assessment staff and all entries in these cells will in future be checked for accuracy. Any incorrect entries will be adjusted and issues fed back to staff.</p>	<p>Head of Revenues and Benefits (already implemented)</p>
<p>A manual transposition error was made when completing the claim form based on system reports. This affected three cell entries.</p>	<p>We recommend that the completed claim form is checked back to the original system reports by a different person than who completed the claim form.</p>	<p>All cell entries in the completed claim form will in future be double checked by the Revenues and Benefits Manager</p>	<p>Head of Revenues and Benefits (already implemented)</p>



Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>The upper limit for non-dependent deductions for gross income not less than £128.00 but less than £188.00 had been incorrectly set up in the Northgate system as £187.88 rather than the correct £187.99.</p> <p>The Authority have demonstrated to us that no cases have occurred in the year with a non-dependent income between £187.88 and £188.00 where problems could potentially arise.</p> <p>The parameter has been subsequently corrected in the system following our identification of this issue.</p>	<p>The Authorities controls involving double checking of the entered parameters appear good. Nevertheless this error has occurred. We therefore recommend that the importance of thoroughly performing the double check is reiterated to those undertaking the check.</p>	<p>This issue has been discussed with the staff involved and in future all parameter changes will be double checked by the Revenues and Benefits Manager</p>	<p>Head of Revenues and Benefits (already implemented)</p>
<p>The final arrears payment run of the year on 25 March 2015 covers entitlement dates up to 29 March 2015 and has been claimed in the 2014/15 subsidy form.</p> <p>The advanced payment also run on the 25 March 2015 and being physically paid on 31 March 2015 covers entitlement from 30 March 2015 onwards. The advance payment has not been claimed in the 2014/15 form but will instead be claimed in the 2015/16 form; this is not in accordance with the requirements of the subsidy order which states that it should be claimed in the 2014/15 year.</p>	<p>As this is a timing difference and the Authority have claimed a full year's worth of subsidy in the 2014/15 year we recommend no action is taken until our qualification letter is received by the DWP and they have confirmed whether these payment dates are acceptable to them or not.</p>	<p>The year end processes will in future be run after the final payment run of the financial year, pending any instruction from the DWP.</p>	<p>Head of Revenues and Benefits (already implemented)</p>

# 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](http://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.