
EXTERNAL AUDITOR REPORT: GRANTS CLAIM AND RETURNS CERTIFICATION 2014/15

1 PURPOSE OF REPORT

- 1.1 This report draws Members' attention to the following report from BDO, the Council's external auditor for 2014/15 – Grants Claim and Returns Certification 2014/15.

2 INTRODUCTION

- 2.1 In accordance with Audit Commission requirements the external auditor is obliged to certify to the accuracy of grant claims and returns. For Rochford this relates to the Housing Benefit Subsidy Claim.
- 2.2 This report summarises the main issues and recommendations arising from the certification of grant claims and returns for the financial year ending 31 March 2015. The report is attached as Appendix 1.

3 RISK IMPLICATIONS

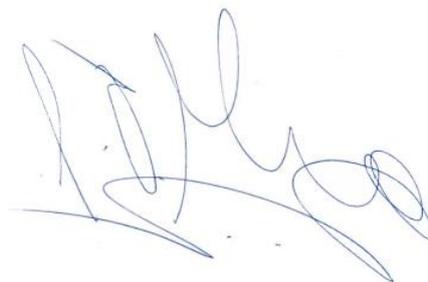
- 3.1 Failure to maintain an effective Housing Benefits process, subject to external audit could result in non recovery of benefits paid.

4 LEGAL IMPLICATIONS

- 4.1 This certification is required by the Department for Work and Pensions to support the Council's Housing Benefit Subsidy Claim for 2014/15.

5 RECOMMENDATION

- 5.1 It is proposed that the Committee **RESOLVES**
.That the Grants Claim and Returns Certification for 2014/15 be noted.



Robert Manning

Section 151 Officer

Background Papers:-

None.

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ROCHFORD DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2015

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INTRODUCTION

THE PURPOSE OF THIS REPORT

This report summarises the main issues arising from the certification of grant claims and returns for the year ended 31 March 2015.

We have completed our 2014/15 grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. This work has been completed in accordance with the Statement of Responsibilities issued by the Audit Commission.

2014/15 is the final year that arrangements for certification have been the responsibility of the Audit Commission. From 2015/16, certification work will be completed in accordance with guidance issued by Public Sector Audit Appointments Ltd, which replaced the Audit Commission on 1 April 2015.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed. Sample sizes used in the work on the housing benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission, including, where applicable, the need to carry out additional samples of 40 items where errors are found in the initial samples ('40 plus' testing referred to below).

A summary of the fees charged for certification work for the year ended 31 March 2015 is shown to the right.

Appendix I of this report (page 6) shows the Council's progress against the action plan included in our 2013/14 Grant Claims and Returns Certification report (presented to Audit Committee on 10 March 2015).

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

FEES	2014/15 OUTTURN FEE (£)	2014/15 PLANNED SCALE FEE (£)	2013/14 OUTTURN FEE (£)
Housing benefit subsidy	11,360	11,360	10,912
TOTAL FEES	11,360	11,360	10,912

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	18,271,448	Yes	Yes	152 increase in the amount payable to DWP

Detailed findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2015. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan in respect of these matters is included at Appendix II of this report on page 7.

Housing benefit subsidy	Findings and impact on claim
<p>Local authorities responsible for managing housing benefit schemes are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.</p> <p>Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A. The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.</p>	<p>Our testing of an initial sample of 40 cases identified five claims containing errors. These are described below, along with an explanation of any additional testing completed.</p> <p>The additional “40 plus” testing and 100% testing is required by the methodology agreed with the Department for Work and Pensions (DWP). This methodology requires that, for cases where errors are identified that cannot be concluded as isolated, extended testing of an additional sample of 40 cases is required. Where there is a small population (less than 100) a 100% check is undertaken.</p> <p>It should be noted that underpayments of benefit are not considered to be errors for subsidy purposes (as the Council cannot claim subsidy for benefit expenditure which has not been incurred). Therefore, where the nature of an error is such that it will only ever result in an underpayment of benefit, the methodology does not require us to complete any additional testing.</p>

- **Non-HRA expenditure:** Testing of the initial sample identified two claims where manual adjustments to correct exceptions identified by the system were processed incorrectly. Additional testing of 100% of the claims included on exception reports produced during 2014/15 was completed. This identified a further three claims where manual adjustments had been processed incorrectly. The 2014/15 subsidy claim was amended for both the errors identified in the initial sample and those identified during the additional testing.
- **Non-HRA expenditure classification of technical excess overpayment:** Testing of the initial sample identified one claim where a technical excess overpayment had been incorrectly classified as an eligible overpayment. As the remaining population of technical excess overpayments was small, 100% of the remaining population was tested. No further errors were identified. The 2014/15 subsidy claim was amended for the error identified.
- **Rent Allowance benefit paid on two homes:** Testing of the initial sample identified one claim where a manual adjustment in respect of housing benefit paid on two homes had been processed incorrectly. As the remaining population of claims with benefit paid on two homes was small, 100% of the remaining population was tested. Errors were identified in a further 16 claims (total value of expenditure associated with benefit awarded on two homes £3,680). The 2014/15 subsidy claim has been amended for 8 of these errors. The remaining 8 errors comprised the following:
 - In 3 cases (total value of expenditure associated with benefit awarded on two homes £733), errors were identified which resulted in benefit being underpaid. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.
 - In 5 cases (total value of expenditure associated with benefit awarded on two homes £1,196), errors were identified relating to the calculation of the benefit awarded on two homes. The combined impact of these errors is as follows: Cell 102 is overstated by £160; Cell 103 is overstated by £340; Cell 106 is overstated by £9; and Cell 113 is understated by £510

The Council have corrected these 8 errors in 2015/16 and the corresponding adjustments will be reflected in the 2015/16 subsidy return. Therefore, no amendments have been made to the 2014/15 subsidy claim in respect of these 8 errors. This matter was reported in our qualification letter.

- **Rent allowances new claim start dates:** Testing of the initial sample identified one case where benefit had been underpaid due to an incorrect start date being applied to a new claim. Given the nature of the population and the fact that application of an incorrect start date could result in an overpayment, an additional 40 cases were tested. This additional testing did not identify any further errors. This matter was reported in our qualification letter.

The methodology specified by the Audit Commission requires us to consider our findings from the prior year. If there is insufficient evidence to demonstrate that the Council has taken adequate steps to address these errors, we perform additional testing in the current year to determine the potential impact on subsidy. This approach was applied in relation to child tax credit income included in rent allowance claims

- **Rent allowances child tax credit income:** We did not identify any errors in relation to this matter in our initial sample. Testing of an additional 40 cases was undertaken. This testing identified one error where child tax credit was applied from the wrong date, but as the claimant's applicable amount exceeded their income there was no impact on the benefit award, and no error requiring adjustment or extrapolation for subsidy purposes. This matter was reported in our qualification letter.

APPENDICES

APPENDIX I: STATUS OF 2013/14 RECOMMENDATIONS

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
Provide training to assessors regarding the application of earnings disregards to when calculating a claimant's income.	Medium	This will be discussed in the next Team Meeting. In addition a new reminder will be put on the Digital Signage the main office	Assistant Benefit Manager/Senior Benefit Officer	31.03.2015	Implemented
Provide training to assessors regarding the determination of start dates to new claims and changes of circumstance.	Medium	Guidance/desk aid to be created to clarify start dates for new claims.	Assistant Benefit Manager	30.04.2015	Implemented although one error identified in relation to incorrect application of start date for a new claim. Therefore, recommendation re-raised in 2014/15.
		Clarification on Change Circumstances effective dates will be discussed at the next Team Meeting	Assistant Benefit Manager	31.03.2015	Implemented

APPENDIX II: 2014/15 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Our initial testing identified one error arising due to the incorrect application of the start date of a new claim.	Provide training to assessors regarding the determination of start dates to new claims and changes of circumstance.	Medium	Staff guidance document prepared and refresher discussion planned for team meeting on 2/3/16. Attendance will be noted and follow up action taken for those not in attendance.	Principal Officer (Benefits)	02.03.2016
Manual adjustments applied to address matters identified in system exception reports and in relation to housing benefit paid on two homes were processed incorrectly.	Independent officer to review sample of manual adjustments made on a monthly basis to confirm accuracy of input.	Medium	Senior Officer reviews all adjustments and 10% sample of these are double checked by Principal Officer (Benefits). A record of checks will be kept.	Principal Officer (Benefits)	01.03.2016

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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