
EXTERNAL AUDITOR REPORT: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2020/21

1 PURPOSE OF REPORT

- 1.1 To draw Members' attention to the Certification of Claims and Returns Annual Report 2020/21.

2 INTRODUCTION

- 2.1 In accordance with Department for Work and Pensions (DWP) requirements the Council must appoint an external auditor to certify the accuracy of its Housing Benefit subsidy claim. The external auditor appointed to perform this work for Rochford District Council in 2020/21 was BDO.
- 2.2 The BDO report is appended and summarises the results of the work on Rochford District Council's 2020/21 Housing Benefit Subsidy claim.

3 SUMMARY

- 3.1 The report at Appendix 1 outlines the results of the 2020/21 certification work and highlights any significant issues arising. BDO checked and certified the housing benefits subsidy claim which had a total value of £12.1m. A qualification letter was issued as the work identified some errors; however, these were corrected and the reduction in grant payable to the Council by DWP was £2,097. Further to this extrapolation of these findings across the whole of the claim may result in a further adjustment of £19,452 by DWP; however, this is not material compared to the overall value of the claim.

4 RESOURCE IMPLICATIONS

- 4.1 The total fee payable to BDO is £15,650 which is in line with the expected fee level and the same as last year.

5 LEGAL IMPLICATIONS

- 5.1 Certification is required by the DWP to support the Council's Housing Benefit subsidy claim for 2020/21.

6 EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 There are no direct equality and diversity implications arising from this report.

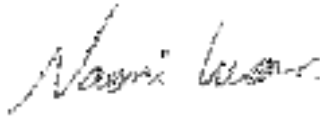
7 ENVIRONMENTAL IMPLICATIONS

- 7.1 None.

8 RECOMMENDATION

8.1 It is proposed that the Committee **RESOLVES**

That the Certification of Claims and Returns Annual Report 2020/21 be noted.



Naomi Lucas

Assistant Director, Resources

Background Papers:-

None.

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If you would like this report in large print, Braille or another language please contact 01702 318111.



Report to the Audit Committee

ROCHFORD DISTRICT COUNCIL

GRANTS AND RETURNS

Audit Completion: year ended 31 March 2021

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Grant Certification Work

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2021.


Grant claims and returns are not within the scope of our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return. These assurance reviews are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has engaged us to carry out the following for the year ended 31 March 2021:

- 'Agreed-upon procedures', based on the instructions and guidance provided by the Department for Work and Pensions (DWP), of the form MPF720A - Statement of Authority claimed entitlement to Housing Benefit.

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

David Eagles, Partner
for and on behalf of BDO LLP
10 July 2022



The contents of this report relate only to those matters which came to our attention during the conduct of our agreed procedures which are designed primarily for the purpose of expressing a conclusion or reporting the results of our work on the grants and returns subject to certification. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

Executive summary

This table shows the details of the grant claim and return subject to certification by us for the financial year ended 31 March 2021.

Where our work identified issues which resulted in either an amendment and / or a qualification or reported exception, further information is provided on the following pages.

Claim or return	Value of return	Qualification/ exceptions	Amended	Submission date	Impact of amendments
Housing benefit subsidy	£12,105,219	Yes	Yes	10 May 2022	Reduction in subsidy claimed of £2,097 NB: May be subject to further adjustments by DWP of £19,452 as a result of extrapolated errors.



FEES

Executive summary

The fees for this work are shown below:

Claim or return	2019/20 Actual fee	2020/21 Planned fee	2020/21 Actual fee
Housing benefit subsidy	£15,650	£15,650	£15,650



HOUSING BENEFITS SUBSIDY

Scheme requirements

Local authorities responsible for managing housing benefit 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.

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 draft subsidy return provided for audit recorded amounts claimed as subsidy of £12,107,316.

The final return was amended to £12,105,219.

Findings

Our audit of 40 individual claimant files highlighted errors the Council made in administering benefit and calculating subsidy entitlement.

The guidance requires that auditors undertake extended testing of 40 additional cases with similar characteristics ('40+ testing') if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported (cumulative audit knowledge and experience, or 'CAKE' testing).

The results of this testing are extrapolated across the population to estimate a potential error amount. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this as an observation in our qualification letter.

Initial testing resulted in six new areas of testing:

- Non-NHRA claim end date
- Non-HRA Carers premium
- Non-HRA Cell 028 eligible overpayments classification
- Rent Allowance Cell 103 rent
- Rent Allowance Cell 103 tenancy occupiers
- Modified Scheme claim end date

8 other areas were tested as a result of being reported as prior year issues (Mid week change of address, Housing Benefit awarded on two homes, Non-HRA rent liability, Rent Allowance eligible overpayment classification, Rent Allowance self-employed income, Rent Allowance Child Tax Credit, Non-HRA Cell 014 and Cell 015 split, Cell 014/015 LHA rate due to number of bedrooms).

A summary of our findings can be found on the following pages.

The final claim was amended to decrease subsidy by £2,097 to £12,105,219

The potential impact resulting from the extrapolated errors, if DWP was minded to finalise the subsidy based on these findings, would impact the claim form by £19,452 (Rent Allowance eligible overpayment classification).

Our work was completed and the claim was certified on 10 May 2022.

HOUSING BENEFITS SUBSIDY

Mid-week changes in Address

Reporting matter

Adjusted

Unadjusted error

Errors

In 2019/20 and prior years, it was identified that the Council had incorrectly treated claims where claimants had changed address part way through the week.

No errors of this nature were identified in the initial sample.

Additional testing

Due to the errors reported in the prior years, the Council undertook 100% testing to determine the impact of this issue.

This testing identified 2 claims where a misclassification of expenditure arose between the above cap and below cap cells.

The following amendment was required:

Cell 014 = + £726.88

Cell 015 = - £726.88

Cell 106 = + £89.77

Cell 107 = - £89.77

Impact

As the misclassifications were identified as part of 100% testing of the population, the Council amended the claim form for these errors.

HOUSING BENEFITS SUBSIDY

Housing Benefit Awarded on two homes

Reporting matter

Adjusted

Unadjusted error

Errors

In 2019/20 and prior years, it was identified that errors were made relating to adjustments where housing benefit was awarded on two homes.

No errors of this nature were identified in the initial sample.

Additional testing

Due to the errors reported in the prior year, the council undertook 100% testing to determine the impact of this issue.

This testing identified 2 cases that were calculated incorrectly but resulted in an underpayment of benefit.

A further 4 cases were identified where the two homes award had been calculated correctly but misclassified on the claim form.

The following amendment was required:

Cell 099 = - £463.21
Cell 104 = - £20.72
Cell 105 = + £319.19
Cell 106 = - £286.74
Cell 107 = + £451.48

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect and have not, therefore, been classified as errors for subsidy purposes.

As the misclassifications were identified as part of 100% testing of the population, the Council amended the claim form for these errors.

HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Incorrect Rent Liability

Reporting matter

Adjusted

Unadjusted error

Errors

In 2019/20 and prior years, testing identified errors in the rental liability used in the assessment of claims.

Initial testing of Non-HRA Rent Rebates did not identify any claims that used an incorrect rent liability.

However, given the errors found in prior years, the Local Authority has undertaken additional testing on all 101 cases in Cell 011 to test the rent liability.

Additional testing

This additional testing identified 1 case where rent had not been input correctly, as VAT had not been deducted. This resulted in Cell 011 being overstated by £232.50. Cell 012 is overstated by £30 and Cell 013 is overstated by £202.50.

Impact

Although 100% of the population was tested, the Local Authority has not amended for this overpayment error in the 2020/21 claim form. The Local Authority has explained that this is because it would have to reverse the manual adjustment of overpayment made in 2020/21 claim, within the 2021/22 claim.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Classification of Eligible overpayments

Reporting matter

Adjusted

Unadjusted error

Errors

In 2019/20 and prior years, it was identified that the Council had incorrectly classified overpayments as eligible, that should have been classified as Local Authority Error and Administrative Delay Overpayments.

Initial testing of Rent Allowance did not identify any errors of this nature.

However, given the errors found in the previous years, an additional sample of 40 cases from Cell 114 were tested for classification.

Additional testing

This additional testing identified 3 claims where overpayments totalling £1,636.73 have been incorrectly classified as Cell 114, eligible overpayments, and should be recorded in Cell 113.

Impact

Based on our extrapolation of the overpayments identified in the additional testing, we estimated the Council incorrectly recognised £14,147 (13.13% error rate on population of £107,743) in Cell 114 that should have been recognised in Cell 113.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Self-Employed Income

Reporting matter

Adjusted

Unadjusted error

Errors

In 2019/20 and prior years, it was identified that the Council had incorrectly assessed self-employed income, resulting in an overpayment of benefit.

No errors of this nature were identified in the initial testing of Rent Allowance cases.

However, given the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period contained self-employed income was tested.

Additional testing

This additional testing identified one error, where expenses in the self-employed calculation were input incorrectly, resulting in a total overpayment of £25.90, of which £2.22 relates to the 2020-21 claim form. As a result, Cell 094 and Cell 103 are overstated by £2.22.

Impact

Based on our extrapolation of the overpayments identified in the additional testing, we estimated the Council incorrectly recognised £2 (0.001% error rate on population of £569,601) in Cell 103 that should have been recognised in Cell 113.

HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Claim end date

Reporting matter

Adjusted

Unadjusted error

Errors

Initial testing of Cell 011 identified one instance where a claim was not terminated from the correct date. This resulted in Cell 011 being overstated by £220.74. Cell 014 is overstated by £46.70 and Cell 015 is overstated by £174.04.

As a result, the Local Authority has undertaken additional testing on all 79 cases appearing in Cells 014 and 015 to check that any moves or cancellations that took place were actioned on the correct date.

Additional testing

Two further errors were identified but these both resulted in benefit being underpaid, as benefit should have been paid until the Monday following the last night of charge; but was not.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified in the additional testing do not affect and have not, therefore, been classified as an error for subsidy purposes.

Although 100% of the population was tested, the Local Authority has not amended for the overpayment error found in the initial testing, in the 2020/21 claim form. The Local Authority has explained that this is because it would have to reverse the manual adjustment of overpayment made in 2020/21 claim, within the 2021/22 claim.

HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Carers Premium

Reporting matter

Adjusted

Unadjusted error

Errors

Initial testing of Cell 011 identified one claim where carers premium had been included in the claimants' applicable amount, despite the claimant's entitlement having ended.

This resulted in Cell 011 being overstated by £27.86 and Cell 013 being overstated by the same amount.

As a result, the Local Authority has identified all non-HRA cases with carers premium and has undertaken additional testing to ensure carers premium has been treated correctly.

Additional testing

Only two claims were identified within the non-NHA population to contain carers premium, and one of these was the case identified in the initial testing.

No issues were identified in the other case.

Impact

Although 100% of the population was tested, the Local Authority has not amended for this overpayment error in the 2020/21 claim form. The Local Authority has explained that this is because it would have to reverse the manual adjustment of overpayment made in 2020/21 claim, within the 2021/22 claim

HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Cell 028 Eligible overpayments classification

Reporting matter

Adjusted

Unadjusted error

Errors

Initial testing of Cell 011 identified one claim where an overpayment of £249.86 was recorded in Cell 028, Eligible overpayments, but should have been recorded in Cell 026, LA and administrative delay overpayments.

As a result, the Local authority has undertaken additional testing on all cases in Cell 028 to ensure the classification is correct.

Additional testing

There were 7 claims in Cell 028 totalling £5,100.29.

One claim was identified where the overpayment was classified incorrectly, but had been net off, with no subsidy being claimed on the claim form.

One claim was the fail found in the initial testing.

The remaining 5 claims were classified as errors and all amounts should have been recognised in Cell 027, technical overpayment.

It was noted that when users are cancelling homeless claims due to moving out, there is not an option to select 'technical error' in the system. This therefore relies on a manual adjustment to amend the classification.

The following amendment is required to correct all claims:

Cell 028 = - £5,100.29

Cell 026 = - £103.84

Cell 027 = + £5,204.13

Impact

As the misclassifications were identified as part of 100% testing of the population, the Council amended the claim form for these errors.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Cell 103 rent

Reporting matter

Adjusted

Unadjusted error

Errors

Initial testing of Cell 094 identified two claims where the incorrect rent liability was used in the calculation of the benefit awarded.

For one claim, a rent increase was not actioned and so this led benefit being underpaid in Cell 103.

For the other claim, the rent was incorrect as a result of a rent increase being missed, but also the tenancy occupiers recorded in the claim were incorrect (see next slide).

As both claims were found to have an unactioned rent increase, both claims were underpaid as a result of this specific rent input error.

As a result, the Local Authority has undertaken additional testing on a sample of 40 cases from Cell 103, to check both the rent liability and the treatment of the tenancy occupiers.

Additional testing

No further issues were identified in relation to rent liability.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified in initial testing do not affect and have not, therefore, been classified as errors for subsidy purposes.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Cell 103 tenancy occupiers

Reporting matter

Adjusted

Unadjusted error

Errors

Initial testing of Cell 094 identified one instance where the tenancy occupiers were recorded incorrectly.

A claim was processed as a sole claimant, with a non-dependent. This should have been processed as a joint tenancy with no non-dependant and 50% of the rent liability should have been used in the calculation.

As a result, the rent liability used in the calculation was incorrect and resulted in Cell 094 being overstated by £717.30 and Cell 103 being overstated by the same amount.

The Local Authority has undertaken additional testing on a sample of 40 cases from Cell 103, to check both the rent liability (see previous slide) and the treatment of the tenancy occupiers.

Additional testing

No further issues were identified with the tenancy occupiers.

Impact

Based on our extrapolation of the overpayments identified in the initial testing, we estimated the Council incorrectly recognised £5,303 (0.25% error rate on population of £3,121,358) in Cell 103 that should have been recognised in Cell 113.

HOUSING BENEFITS SUBSIDY

Modified Scheme: Claim end date

Reporting matter

Adjusted

Unadjusted error

Errors

Testing of cases in Cell 225 identified one instance where a claim was not terminated from the correct date.

This resulted in Cell 094 being overstated by £335.65, Cell 102 being overstated by the same amount; and Cell 225c being overstated by £91.70.

As a result, the Local Authority has undertaken additional testing on all modified scheme claims to ensure that any claims with an end date have been processed correctly.

Additional testing

No further issues were identified.

Impact

Although 100% of the population was tested, the Local Authority has not amended for this overpayment error in the 2020/21 claim form. The Local Authority has explained that this is because it would have to reverse the manual adjustment of overpayment made in 2020/21 claim, within the 2021/22 claim.

HOUSING BENEFITS SUBSIDY



The following CAKE tests have returned no errors and are considered closed:

- Non HRA Rent Rebates - Cell 014 and 015 LHA rate due to number of bedrooms
- Non HRA Rent Rebates - Cell 014 and Cell 015 cap split
- Rent Allowance - Child Tax Credit

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the review of grants claims and returns 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 organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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