
EXTERNAL AUDITOR REPORT: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2019/20

1 PURPOSE OF REPORT

- 1.1 To draw Members' attention to the Certification of Claims and Returns Annual Report 2019/20

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 2019/20 was BDO.
- 2.2 The BDO report is appended and summarises the results of the work on Rochford District Council's 2019/20 Housing Benefit Subsidy claim.

3 SUMMARY

- 3.1 The report at Appendix 1 outlines the results of the 2019/20 certification work and highlights any significant issues arising. BDO checked and certified the housing benefits subsidy claim which had a total value of £13.2m. A qualification letter was issued as the work identified some errors; however, these were corrected and the increase in grant payable to the Council by DWP was £157. Further to this extrapolation of these findings across the whole of the claim may result in a further adjustment of £19 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 compares to £17,300 for the 2018/19 audit.

5 LEGAL IMPLICATIONS

- 5.1 Certification is required by the DWP to support the Council's Housing Benefit subsidy claim for 2019/20.

6 EQUALITY AND DIVERSITY IMPLICATIONS

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

7 RECOMMENDATION

- 7.1 It is proposed that the Committee **RESOLVES**

That the Certification of Claims and Returns Annual Report 2019/20 be noted.



Naomi Lucas

Assistant Director, Resources

Background Papers:-

None.

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Report to the Audit Committee
ROCHFORD DISTRICT COUNCIL
GRANTS AND RETURNS

Audit Completion: year ended 31 March 2020

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INTRODUCTION

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 2020.

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 2020:

- ‘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
1 July 2021

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.

OVERVIEW

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 2020.

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	£13,173,906	Yes	Yes	12 May 2021	increase in subsidy claimed of £157 <i>NB: May be subject to further adjustments by DWP of £19 as a result of extrapolated errors.</i>



FEES

Executive summary

The fees for this work are shown below:

Claim or return	2018/19 Actual fee	2019/20 Planned fee	2019/20 Actual fee
Housing benefit subsidy	£17,300	£15,650	£15,650



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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 £13,173,906.

The final return was amended to £13,174,063.

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 two new areas of 100% Testing (Cell 014 and Cell 015 cap split and Cell 014 Bedrooms for LHA rate).

Initial testing identified two further errors where additional testing was already performed as part of CAKE (Rent Allowance eligible overpayment classification and Non-HRA rent liability).

Initial testing identified one error of a type that would always result in an underpayment of benefit, and therefore no further testing was required.

10 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 tax credits, Rent Allowance housing association rent increases, Rent Allowance earned income, Rent Allowance claim start dates).

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

The final claim was amended to increase subsidy by £157 to £13,174,063

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 (Rent Allowance eligible overpayment classification).

Our work was completed and the claim was certified on 12 May 2021. This was before the 31 May extension obtained by the Council.

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HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Incorrect LHA rate due to incorrect number of bedrooms.

Reporting matter

Adjusted

Unadjusted error

Errors

Initial Testing of Cell 011 identified that one claim where the incorrect LHA rate was applied, because the number of bedrooms recorded in the system for the property was incorrect.

This resulted in Cell 015 being over-stated by £405.08 and Cell 014 being understated by the same amount.

Additional testing

The Council was required to undertake additional testing on all 71 unique cases appearing in Cells 014 and 015 to check that the number of bedrooms manually input into the system is correct, which ensures that the LHA rate was then calculated based on the correct property size.

This additional testing identified no further errors.

Impact

The error identified in initial testing was amended on the revised claim form.

HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Cell 014 and Cell 015 split.

Reporting matter

Adjusted

Unadjusted error

Errors

Initial Testing of Cell 011 identified that one claim where the split between Cell 014 and Cell 015 was incorrect.

The claim had appeared on the HB9880B exception report, which identifies cases where the system could not automatically split the rent transactions. This report is checked weekly and the claims are manually corrected. For this particular claim, the manual correction was done incorrectly.

As a result, Cell 014 was overstated by £8.63 and Cell 015 was understated by the same amount.

Additional testing

The Council was required to undertake additional testing on all 33 cases in Cells 014 and 015 that appeared on the HB9880B exception report during the year.

This additional testing identified no further errors.

Impact

The error identified in initial testing was amended on the revised claim form.

HOUSING BENEFITS SUBSIDY

Mid-week changes in Address

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19 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 and current years, the Council undertook 100% testing to determine the impact of this issue.

The additional testing identified three claims where a misclassification of expenditure arose between the above cap and below cap cells. One further claim was identified as an error but this had no impact due to the entitlement being net down to zero.

Overall, Cell 012 is overstated by £9.70, Cell 013 is understated by £9.70, Cell 106 is understated by £111.04 and Cell 107 is overstated by £111.04.

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 2018/19 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.

The additional testing identified 6 errors.

Two of these cases were identified because the award was not paid for the full period of entitlement. This led to an underpayment of £45.26 in Cell 094 (£16.46 in Cell 102 and £28.80 in cell 103).

Three cases used the incorrect rent in the calculation or were paid for longer than the period of entitlement resulting in a total overpayment of £195.19 (Cell 102 £24.37, Cell 103 £12, Cell 113 £158.82).

One case was incorrectly classified and requires moving from Non-HRA to Rent Allowances. The following amendment was required:

Cell 011 = -801.24
Cell 012 = -801.24
Cell 094 = +801.24
Cell 104 = +460.60
Cell 105 = +340.64

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.

Although 100% of the population was tested, the Council has not amended for the overpayment errors in the 2019/20 claim.

The Council has explained that this is because it would have to reverse the manual adjustment of overpayment made in 2019/20 claim, within the 2020/21 claim.

The misclassification error has been adjusted by the Council in the revised claim form.

HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Incorrect Rent Liability

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19, testing identified errors in the rental liability used in the assessment of claims.

Initial testing of Non HRA Rent Rebates identified one case where an input error resulted in the incorrect rent liability being recorded on the claim resulting in an overpayment of £68.57.

Additional testing

The Council was required to undertake additional testing on Cell 011 to test the rent liability. The Local Authority chose to undertake testing on all 107 cases.

This additional testing identified 2 further cases where rent had not been input correctly:

- One case resulted in an underpayment of £1,052.57 in Cells 011 and 015.
- One case resulted in an overpayment of £37.21 in Cell 015.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has 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 errors (one from initial testing and one from additional testing) in the 2019/20 claim.

The Council has explained that this is because it would have to reverse the manual adjustment of overpayment made in 2019/20 claim, within the 2020/21 claim.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Classification of Eligible overpayments

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19 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 identified one error where an LA error and administrative delay overpayment was incorrectly classified as an eligible overpayment. As a result, Cell 114 is overstated by £2.24 and Cell 113 is understated by the same amount.

Additional testing

Additional testing was performed on 40 eligible overpayment cases in Cell 114 and this identified no further errors.

Impact

Based on our extrapolation of the overpayment identified in the initial testing, we estimated the Council incorrectly recognised £19 (0.01% error rate on population of £190,509) 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 2018/19 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.

Additional testing

Due to the errors reported in the previous year, the council were required to undertake 40+ testing to determine whether this issue had continued in 2019/20.

The additional testing identified 4 cases where self-employed income had been calculated or input incorrectly. In all 4 cases, the claimant was already in receipt of maximum benefit and correcting the self-employed earnings figures did not change the entitlement to benefit.

Impact

Although the errors identified in the current year had no impact on subsidy claimed, errors of this nature could result in overpaid benefit.

Cell 094 Self Employed Earnings will require testing as part of CAKE in the 2020/21 year.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Child Tax Credits

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19 it was identified that the Council had input child tax credits from the incorrect date, resulting in an overpayment of benefit.

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

Additional testing

Due to the errors reported in the previous year, the council were required to undertake 40+ testing to determine whether this issue had continued in 2019/20.

The additional testing identified 1 error where benefit was underpaid by a total of £188.85.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has not, therefore, been classified as an error for subsidy purposes.

However, as errors of this nature could result in overpaid benefit, Cell 094 Child Tax Credit will require testing as part of CAKE in the 2020/21 year.

HOUSING BENEFITS SUBSIDY



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

- Non HRA Rent Rebates - Tax credits incorrectly applied
- Rent Allowance - Incorrect rent for Housing Associations
- Rent Allowance - Earned income error
- Rent Allowance - Incorrect Start dates for new claims.



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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