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## EXTERNAL AUDITOR REPORT: GRANTS CLAIM AND RETURNS CERTIFICATION 2013/14

### 1 INTRODUCTION

- 1.1 This report draws Members' attention to the following document from BDO, the Council's external auditor – Grants Claim and Returns Certification 2013/14.

### 2 GRANTS CLAIM AND RETURNS CERTIFICATION 2013/14

- 2.1 In accordance with Audit Commission requirements the external auditor is required to certify to the accuracy of grant claims and returns. For Rochford these are the National Non Domestic Rates return and the housing and Council Tax 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 ended 31 March 2014. The report is attached as appendix 1.
- 2.3 In order to comply with an Audit Commission requirement that the report must be made available to those charged with governance by the end of February a copy of the report was made available to Members of the Audit Committee in advance of this meeting.

### 3 RECOMMENDATION

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

That the Grants Claim and Returns Certification for 2013/14 be noted.



Yvonne Woodward

Head of Finance

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#### Background Papers:-

None.

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



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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 2014.

We undertake 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. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

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 2014 is shown to the right.

Appendix I of this report (page 6) shows the Council's progress against the action plan included in our 2012/13 Grant Claims and Returns Certification report (presented to Audit Committee on 25 March 2014).

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	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing benefit subsidy	10,912	10,912
<b>TOTAL FEES</b>	<b>10,912</b>	<b>10,912</b>

# KEY FINDINGS

## Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	17,739,032	Yes	Yes	226 decrease 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 2014. 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

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.

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.

### Findings and impact on claim

Our testing of an initial sample of 41 cases identified ten errors. These are described below, along with an explanation of any additional testing completed.

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.

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.

- **Non-HRA expenditure below the cap:** Testing of the initial sample identified one error where, due to property details being entered incorrectly on the system, expenditure below the cap applied to this type of benefit was understated. As the population was small, testing on 100% of the remaining population was completed, identifying one further error. The subsidy return was manually amended for this error, resulting in a £226 decrease in the amount of subsidy payable to the DWP.
- **Non-HRA underpaid benefit:** Testing of the initial sample identified four errors. The nature of these errors is such that, were they to be repeated, they would only ever result in an underpayment of benefit. These matters were reported in our qualification letter.
  - One case where benefit had been underpaid as a result of the Council not applying an earnings disregard to which the claimant was entitled
  - One case where benefit had been underpaid due the Council failing to pay benefit for two weeks of an extended payment period
  - One case where benefit was underpaid due to the Council failing to action an email from the housing department regarding continuation of the claimant's placement at the property
  - One case where benefit was underpaid due to the "Monday-following" rule being applied to a claim where benefit was due from the date of occupation
- **Non-HRA ineligible heating costs:** Testing of the initial sample identified two cases where ineligible heating costs had been deducted from the eligible rent at the wrong rate (error value £2). As the population was small, testing on 100% of the remaining population was completed. This identified a further four cases where ineligible heating costs had been deducted at the wrong rate (error value of £5). The Council have corrected the affected claims in 2014/15 and the associated overpayments will therefore be reflected in the 2014/15 subsidy return. Therefore, no amendments have been made to the 2013/14 subsidy claim in respect of this issue and the matter was reported in our qualification letter.

- **Rent allowances underpaid benefit:** Testing of the initial sample identified one case where benefit had been underpaid due to the Local Housing Allowance (LHA) used in the benefit calculation not being subject to the annual uprating. The nature of this error is such that it will only ever result in an underpayment and therefore no additional testing has been undertaken. This matter was reported in our qualification letter.
- **Rent allowances child tax credit income:** Testing of the initial sample identified one case where benefit had been underpaid due to a change in child tax credit being applied from the incorrect date. Given the nature of the population and the error identified, testing of an additional 40 cases was undertaken, identifying a further six errors. In two cases, the errors did not have any impact on the amount of benefit due. In the remaining four cases, benefit was underpaid. 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 a similar error was identified in the prior year (resulting 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.
- **Modified schemes - evidence to support state retirement pension:** Testing of the initial sample of one case identified that there was no evidence held to support the state retirement pension (SRP) value used in the benefit calculation. There was no impact on benefit expenditure as the claimant's income was below their applicable amount. Given the nature of the population and the error identified, the remaining population was tested to confirm that SRP amounts were adequately supported by evidence. No further errors were identified. This matter was reported in our qualification letter.



# APPENDICES

## APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
Carry out a check of all hb9880b (Homeless subsidy classification) exception reports run during the year to ensure that the correct classification has been applied.	Medium	The Senior Benefit Officer will carry out a 100% check on all claims reported on the HB9880b exceptions reports to make sure they have all been manually split between subsidy classifications.	Senior Benefit Officer	March 2014	Implemented
Remind staff throughout the year (via team meetings and the digital signage screen) to check that the claimant is in receipt of child benefit before including a child in the bedroom requirement.	Medium	The Senior Officer & Assistant Benefit Manager will remind staff through regular team meeting. The Senior Benefit Officer will create new reminders for the digital signage which will be displayed daily.	Senior Benefit Officer/Assistant Benefit Manager	March 2014	Implemented
Carry out 100% check on second home benefit awarded during 2013/14 to confirm that the expenditure has been correctly classified.	Medium	The Senior Benefit Officer will carry out a 100% check on all 'benefit on two home' awards to make sure the correct tenure type is allocated.	Senior Benefit Officer	March 2014	Implemented

## APPENDIX II: 2013/14 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Our testing identified one case where the claimant was entitled to an earnings disregard but this was not applied by the Council.	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
Our testing identified three cases where the start date applied to a new claim or change of circumstances had not been correctly determined.	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
			Clarification on Change Circumstances effective dates will be discussed at the next Team Meeting	Assistant Benefit Manager	31.03.2015



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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