

EXTERNAL AUDITOR REPORT: GRANTS CLAIM AND RETURNS CERTIFICATION 2012/13

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 2012/13.

2 GRANTS CLAIM AND RETURNS CERTIFICATION 2012/13

- 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 2013. 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 2012/13 be noted.

Yvonne Woodward

Head of Finance

Background Papers:-

None.

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ROCHFORD DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2013



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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 2013.

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 and council tax benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission, including 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 2013 is shown to the right.

Appendix I of this report (page 8) shows the Council's progress against the action plan included in our 2011/12 Grant Claims and Returns Certification report (presented to Audit Committee on 26 March 2013).

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 and council tax benefit subsidy	12,310	13,510 ¹
National non domestic rates return	3,040	3,040
TOTAL FEES	15,350	16,550

¹ A fee variation has been requested from the Audit Commission. This is the proposed variation agreed with management but will not be final until it has been approved by the Audit Commission.

A variation to scale fee for the housing and council tax benefit subsidy claim has been requested because the scale fee is based upon the 2010/11 audit outturn where we did not identify any '40 plus' testing. In 2012/13, however, we identified five such '40 plus' certification issues necessitating completion of additional testing of particular claim entries. Consequently, additional audit resource was needed to complete re-performance work and draft the qualification letter.

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing and council tax benefit subsidy	22,633,205	Yes	Yes	1,344 decrease in the amount payable to DWP
National non-domestic rates return	15,226,508	No	No	-

Detailed Findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2013. 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 9.

Housing and council tax benefit subsidy	Findings and impact on claim
<p>Local authorities responsible for managing housing benefit and council tax 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</p>	<p>During our initial testing of a sample of cases four errors were identified. These resulted in additional tested being required, as follows:</p> <ul style="list-style-type: none">Non-HRA rent rebates income verification: Testing of the initial sample identified one case where the income had not been verified prior to payment, resulting in an overpayment of benefit. As the population was small, testing on 100% of the remaining population was completed. No further errors were identified and therefore this error was concluded to be isolated and the claim was amended by £1,350, resulting in a decrease in the amount payable to DWP of £1,317.

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.

- **Non-HRA rent rebates classification:** Testing of the initial sample identified one case where the benefit had not been correctly classified, resulting in subsidy being understated. This arose because an exception report had not been correctly actioned and, as the population was small, testing on 100% of the remaining population was completed. No further errors were identified and therefore this error was concluded to be isolated and the claim was amended by £5, resulting in a decrease in the amount payable to DWP of £5.
- **Rent Allowances change of circumstances:** Testing of the initial sample identified four cases where benefit had been underpaid due to a change of circumstances being incorrectly processed (total error value £507). Given the nature of the population and the errors found, an additional random sample of 40 change of circumstances cases was chosen for testing, which identified a further case where a change of circumstance had been processed incorrectly, which also resulted in an underpayment (total error value £54). As there is no eligibility to subsidy for benefit which has not been paid, these underpayments identified did not affect subsidy and were not, therefore, classified as errors for subsidy purposes. These circumstances were reported in our qualification letter.
- **Rent Allowances LHA rate:** Testing of the initial sample identified one case where benefit had been overpaid due to the incorrect LHA rate being used as the bedroom requirement had not been correctly calculated. Given the nature of the population and the errors found, an additional random sample of 40 LHA rate cases was chosen for testing. No further errors were identified and therefore this error was concluded to be isolated and the claim was amended by £525, although there was no impact on the amount payable to DWP.
- **Rent Allowances classification:** Testing of the initial sample identified one case where the second home benefit had not been correctly

classified. The Council was able to identify all cases where second home benefit had been awarded and therefore testing was carried out on 100% of these cases. Four further errors were identified but, as 100% of the population had been tested, the claim was amended by £855, resulting in a decrease in the amount payable to DWP of £22.

- **Council Tax underpayment:** Testing of the initial sample identified one case where benefit had been underpaid by £150. The nature of the error (cessation of carer's allowance) was such that the error identified would always result in an underpayment and so no '40 plus' testing was undertaken. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified did not affect subsidy and was not, therefore, classified as an error for subsidy purposes. These circumstances were reported in our qualification letter.
- **Council Tax start date:** Testing of the initial sample identified one case where benefit had been awarded from the incorrect start date, resulting in an overpayment. Given the nature of the population and the error found, an additional random sample of 40 new claim cases was chosen for testing. This identified a further three cases where benefit had been awarded from an incorrect start date, but these resulted in underpayments (total error value £292). As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified did not affect subsidy and were not, therefore, classified as errors for subsidy purposes. However, the identification of further errors, whilst resulting in underpayments, did not allow us to conclude that the initial error was isolated and therefore an extrapolated overpayment error of £3,002 was reported in our qualification letter.
- **Council Tax LA error and administrative delay excess benefit:** Testing of the initial sample identified one case where the Council had

incorrectly classified an overpayment as LA error and administrative delay excess benefit rather than eligible excess benefit. Given the nature of the population and the error found, an additional random sample of 40 LA error and administrative delay excess benefit cases were chosen for testing. This identified a further two cases where the overpayments should have been classified in cell 148 (eligible excess benefit) rather than cell 147 (LA error and administrative delay excess benefit). Another case was identified where the overpayment was understated and should have been classified in cell 147 rather than cell 148. No amendments were made to the claim form but an extrapolation of these errors, totalling £2,535, was reported in our qualification letter.

- **Council Tax prior year eligible excess benefit:** Testing of the initial sample identified one case where the Council had incorrectly classified an overpayment as eligible excess benefit rather than LA error and administrative delay excess benefit. Given the nature of the population and the error found, an additional random sample of 40 prior year eligible excess benefit cases were chosen for testing. This identified a further two cases where the overpayments should have been classified in cell 152 (Prior year LA error and administrative delay excess benefit) rather than cell 153 (prior year eligible excess benefit). No amendments were made to the claim form but an extrapolation of these errors, totalling £3,156, was reported in our qualification letter.

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 situations 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.

The extrapolated errors all relate to over-claims of subsidy. If DWP decide to adjust for the extrapolated errors, then the total adjustment to the overpayments reported would be £8,693, resulting in a decrease in the amount payable to DWP of £373.

Our testing found an increased number of errors compared to previous years, although this should be viewed in the context of the technical nature of the benefit system and large volume of caseload the benefits team process.

National non-domestic rates return

The Council is a billing authority and as such is required, on an annual basis, to calculate its contribution to the centrally-administered non-domestic rates pool. The value of the contribution must be notified to the Secretary of State. This is done on form NNDR3, which is subject to certification.

Findings and impact on return

No issues were identified from our testing and the return was certified without amendment.



APPENDICES

APPENDIX I: STATUS OF 2011/12 RECOMMENDATIONS

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
Advance the timing of the 100% checks of non-HRA claimants to before the claim is signed by the Responsible Officer so that any amendments identified can be reflected in the claim submitted for audit.	Medium	The Senior Benefit Officer & Principal Auditor will undertake 100% testing on the claim start and end dates on all Non HRA claims. In addition 100% testing will be undertaken on the eligible rent figure.	Senior Benefit Officer Principal Auditor	March/April 2013	Implemented.

APPENDIX II: 2012/13 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Our testing identified an exception report that had not been correctly actioned, resulting in a classification error.	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
Our testing identified one case where benefit had been overpaid due to the incorrect LHA rate being used as the bedroom requirement had not been correctly calculated. This was because a child lived in the home part time but the bedroom requirement goes with the parent receiving the child benefit, which, in this case, was not the claimant.	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

Our testing identified that second home benefit was not always correctly classified.	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
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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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