
Eastbourne Borough Council



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Statement of Responsibilities of grant paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns

The [Statement of Responsibilities of grant paying bodies, authorities, the Audit Commission and appointed auditors](#) contains an explanation of the respective responsibilities of auditors and of the audited body. Appointed auditors act as agents of the Audit Commission when undertaking certification work. Reports and letters prepared by appointed auditors are addressed to the grant paying body, members or officers. They are prepared in accordance with the certification arrangements specified by the Audit Commission. This report is for the sole use of the audited body and no responsibility is taken by appointed auditors to any Member or officer in their individual capacity or to any third party.

1 Executive summary

This report summarises the findings of the work we have completed in respect of our certification of grant claims and returns for the year ended 31 March 2012.

CERTIFICATION RETURNS

We have certified four returns on behalf of the Council.

Claim or return	Value (£)	Qualified?	Amended?	Impact (£)
Housing and council tax benefit subsidy	56,991,472	Yes	Yes	7,223
National non-domestic rates return	30,097,096	No	No	-
Pooled housing capital receipts	840,520	No	No	-
Housing subsidy return	848,627	No	Yes	0

KEY ISSUES

The Housing and council tax benefit subsidy was amended to correct the allocation of tenancy types for non-HRA rent rebates which reduced subsidy by £7,223. We also found that technical excess overpayments had incorrectly been reported as eligible excess overpayments on a number of occasions, and qualified the claim to state that subsidy claimed is overstated by £5,012. The Department for Work and Pensions has written to the Council indicating that this may be reclaimed.

The Council has taken steps to implement all of the recommendations raised in our 2010/11 grant claims and returns certification report. However, our 2011/12 audit has identified errors in the housing and Council tax benefits subsidy claim similar to those reported last year, indicating that further improvement is still needed.

ACKNOWLEDGEMENT

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 the course of the audit.

We would especially like to acknowledge the work of the Internal Audit department who assisted in completing a significant amount of the testing on the Housing and council tax benefit subsidy return and National non-domestic rates return.

2 Key findings

INTRODUCTION

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2012. We undertake certification work 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.

For those claims with a value of between £125,000 and £500,000, we conduct only a limited review of the overall control environment before certifying the claim. Grant claims below £125,000 are not subject to audit arrangements.

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 and methodology for this work are prescribed by the Audit Commission in the case of the largest claim, the housing and council tax benefit subsidy.

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The value of claims and other returns certified for the financial year ending 31 March 2012 amounted to over £88 million.

Housing and council tax benefit subsidy

Local authorities are responsible for administering housing benefit and council tax benefit schemes and claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits. The draft subsidy return provided for audit included subsidy receivable of £56,984,249.

Our audit requires testing of individuals' claim information and benefits paid during the year to confirm that the correct amount has been paid and amounts are properly recorded in the subsidy claim. We are required to test a sample of 20 claimants for the year for each benefit type.

Where errors are found within the sample of claims tested, unless these are clearly isolated, mandatory extension testing of an additional 40 cases (40+ testing) is required in order to provide a sufficiently large population to extrapolate potential error rates. We are also required to report this information to DWP in a qualification letter.

A number of errors were identified during the course of the initial testing which resulted in four additional blocks of "40+" testing being completed. The testing was completed by internal audit staff and our re-performance of the work agreed with their conclusions.

On completion of the additional testing, we concluded that on a number of occasions overpayments had been misclassified between eligible excess Council Tax Benefit and Technical Excess Benefits. After discussions with senior benefits officers it was determined that there were no further audit procedures that could allow us to conclude the cells are fairly stated. Our extrapolation of the seven errors from the 60 cases tested suggests that £12,530 overpayments had been misclassified. As eligible excess overpayments attract subsidy at 40 per cent, and technical overpayments are not funded from subsidy, DWP has written to the Council indicating that £5,012 may be reclaimed.

Our testing of the allocation of benefit entitlement to rent thresholds for non-HRA rent rebates found that, for many cases, the amounts had not been appropriately analysed into the above and below threshold cells or by tenancy type. The Council reviewed all cases in these cells and, following correction, reduced subsidy receivable by £7,223.

We were also unable to complete our testing to confirm that the Council is appropriately writing back uncashed cheques, and thus not claiming subsidy where the payment has been cancelled, since a full list of amendments could not be provided due to issues with the software providing this information. DWP has requested that the Council obtain this information for us to complete this test.

To improve the accuracy of the subsidy claim the Council should ensure that:

- tenancy type for non-HRA and HRA rent rebate claimants are correctly identified so that the entitlement is properly reflected in the subsidy claimed
- benefit overpayments are correctly classified by establishing robust systems for monitoring the accuracy classification during the year and undertaking a sample of checks prior to submission of the draft subsidy claim.

National non-domestic rates

The Local Government Finance Act 1988 introduced a National non-domestic rates system using a uniform business rate set by the Secretary of State. Billing authorities contribute to and subsequently receive payments from a national non-domestic rates pool.

The Council reported an amount payable to the pool of £20,097,096. The return was certified without any amendments.

Pooled housing capital receipts

Local authorities pay part of a housing capital receipt into a national pool run by the Department of Communities and Local Government (DCLG). Pooling applies to all authorities, including those with closed HRAs who typically have housing receipts in the form of mortgage principal and Right to Buy (RTB) discount repayments. The specified amount of receipts poolable, including non-money ones, subject to allowable deductions is 75 per cent for capital receipts from dwellings and 50 per cent for capital receipts from land or other buildings held within the HRA.

The amount payable by the Council on housing receipts of £840,520 from the sale of 10 dwellings was £582,904, after deducting for allowable costs. This return was certified without any amendments.

Housing subsidy return

Housing authorities claim Housing Revenue Account subsidy from the DCLG. This is received to meet any shortfall between expenditure and income on an authority's notional Housing Revenue Account. From 1 April 2012, the self-financing regime has replaced the subsidy system.

The draft return provided for audit reported subsidy entitlement of £848,627. We noted that a number of cells had incorrectly included 30 shared ownership dwellings in the total where these should have been excluded. This was subsequently corrected but this did not have any overall impact on the subsidy claimed.

CONCLUSIONS

The Council has taken steps to implement all of the recommendations raised in our 2010/11 grant claims and returns certification report. However, our 2011/12 audit has identified errors in the Housing and council tax benefits subsidy claim similar to those reported last year, indicating that further improvement is still needed.

Progress against the recommendations included in our 2010/11 grant claims and returns certification report are recorded in Appendix A. Where sufficient improvements have not been made the recommendation has been re-iterated within the recommendations included for 2011/12 at Appendix B.

3 Fees

Fees for the grant claims and returns certification for 2011/12 were £35,325.

Claim	Actual fee year ended 31 March 2012 (£)	Actual fee year ended 31 March 2011 (£)
Housing and council tax benefit subsidy	20,415	27,446
National non-domestic rates return	6,055	5,680
Pooled housing capital receipts	2,485	2,813
Housing subsidy return	5,370	5,165
Disabled facilities grant	-	2,450
Housing base data return	-	9,778
Grants report	1,000	2,000
TOTAL	35,325	55,332

Fees for the audit of the four returns also requiring audit in the previous year, excluding the grant report, decreased by £6,779. This was mainly as a result of reduced work on the Housing and council tax benefit subsidy where the additional "40+" testing was completed by the Council's staff.

However, an additional fee will be payable for the further work required to provide an audit response to the DWPs letter in respect of the Housing and council tax benefit subsidy claim.

Overall fees are £20,007 lower than the previous year as the disabled facilities grant and housing base data return did not require audit in 2011/12.

Appendix A – Status of 2010/11 recommendations

Recommendations	Priority	Management response	Responsibility	Timing	2011/12 Update
Pooling of housing capital receipts					
1. Ensure all returns submitted for audit are checked and reviewed for accuracy and potential error. In particular, the eligibility of expenditure and administrative expenses should be reviewed.	High	Agreed. The Council will work with Eastbourne Homes Limited to provide sufficient evidence to confirm the eligibility of such expenditure to be accounted for in the 2011/12 return.	Chief Finance Officer	September 2012	No similar issues noted in the 2011/12 return.
Housing base data return					
2. When the final housing revenue account subsidy return is prepared in 2011/12, the Council should ensure matters arising from the audit of the base data return are fully considered.	High	The Council does not expect to prepare a base data return for future years following the establishment of the self financing HRA. Further guidance on the final 2011/12 return is awaited from Government.	Chief Finance Officer	Immediate	Minor amendments made to exclude shared ownership dwellings from certain cells. This is the final year for preparing housing subsidy claims.
Housing and council tax benefits subsidy					
3. The matters highlighted in the qualification letter should be addressed for the 2011/12 audit. The claim should also be checked and reviewed to ensure it is in line with the Council's expectations before audit submission.	High	Agreed. The Council has appointed external consultants to review this matter further. The outcome will be considered in preparing the 2011/12 claim, including the possible repayment of subsidy.	Chief Finance Officer	Immediate	Some improvement noted in the preparation of the subsidy claim although issues remain regarding the correct analysis of non-HRA rent rebate tenancy type and classification of overpayments.

Appendix B – 2011/12 action plan

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
Housing and council tax benefit subsidy					
Our testing of the allocation of benefit entitlement to rent thresholds for non-HRA rent rebates found that, for many cases, the amounts had not been appropriately analysed into the above and below threshold cells or by tenancy type.	1. Tenancy type for non-HRA rent rebate claimants should be properly checked so that the entitlement is properly reflected in the subsidy claimed.	High	100% of cases that fall into this subsidy category will be checked prior to submission of the claim.	Revenues and Benefits Manager	June 2013
On a number of occasions overpayments had been misclassified between eligible excess Council Tax Benefit and Technical Excess Benefits.	2. Benefit overpayments should be correctly classified by establishing robust systems for monitoring the accuracy classification during the year and undertaking a sample of checks prior to submission of the draft subsidy claim.	High	We will place greater emphasis on checking overpayment classifications as part of our ongoing accuracy checking during the year.	Revenues and Benefits Manager	Ongoing