

LEWES DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014

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INTRODUCTION

THE PURPOSE OF THIS REPORT

This report summarises the issues arising from the certification of grant claims and returns for the financial year ended 31 March 14

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.

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 and Standards Committee on 17 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	10,959	TBA *
Pooling of housing capital receipts	747	747
TOTAL FEES	11,706	TBA *

* To be advised - we are in the process of agreeing the final fee with management and the Audit Commission

The outturn fee will be higher than the planned scale fee due to the significant additional work required on the housing benefits subsidy claim. Our audit work found errors in administering benefit and calculating subsidy entitlement in 2013/14, which required additional work to be completed by the Council and BDO. In total, 377 benefit cases were reviewed by the Council (including the initial sample of 60 cases) and, in turn, we reviewed this work to ensure we could rely on it. The audited claim was submitted to the Department of Work and Pensions (DWP) on 11 February 2015, over two months after the departmental deadline. The claim was qualified across all benefit subsidy expenditure types.

As a result of our qualification letter, the DWP may ask the Council to undertake further work before finalising the final amount payable for the 2013/14 financial year.

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?
Housing benefit subsidy	35,590,116	Yes	No
Pooled housing capital receipts	1,922,879	No	No

The housing benefit subsidy claim was certified with an extensive qualification letter. A final decision on the amount of subsidy to be paid to the Council for 2013/14 is awaited.

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	Findings and impact on claim
<p>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.</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 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.</p>	<p>In line with the requirements of the grant paying department (the Department for Work and Pensions - the 'DWP') our work on the return has included:</p> <ul style="list-style-type: none"> a review of the control environment surrounding the preparation of the claim form; and detailed testing of a sample of cases (20 for each benefit type), to assess the accuracy of the information included in the claim. <p>As in prior years, internal audit has undertaken detailed testing of the initial required sample of benefit cases. The audit of 60 individual claimant files highlighted a number of errors made in administering benefit and calculating subsidy entitlement. The errors mainly involved the incorrect recording of information (such as the amount of claimant income, type and size of property, composition of household, and classification of overpayments).</p> <p>Where errors are not isolated, the Audit Commission requires that an additional sample of 40 cases should be selected for each identified error and reviewed for similar error attributes. The additional work was completed primarily by internal audit, with some assistance from external audit, and reviewed 300 additional cases covering all aspects of the claim. A further 17 cases were reviewed on specific areas of the claim. In total, 377 cases were reviewed by the Council.</p> <p>The Audit Commission requires auditors to re-perform a sample of the additional work</p>

undertaken by the Council to ensure conclusions have been satisfactorily recorded. We completed this review and we agreed with the Council's findings.

Our audit certificate was qualified and we estimated the effect of the errors identified on the Council's entitlement to subsidy based on our extrapolation of audit test results. Our letter covered all of the benefit types awarded by the Council, as summarised below:

Non-HRA Rent Rebates:

- One case (value £438) where the Local Housing Allowance (LHA) rate used in the calculation of the benefit expenditure for self-contained accommodation was below that allowed under the regulations
- Six cases (combined value £3,015) where the 'LHA' rate used in the calculation of the benefit expenditure for board and lodging or self-contained accommodation was below that allowed under the regulations.
- Three cases (combined value £9,133) where the Council had incorrectly classified expenditure relating to HRA properties as non-HRA rent rebates
- One case (value £207) where expenditure on self-contained accommodation had been incorrectly classified as board and lodging
- Eight cases (combined value £130) where the Council had not made a deduction for meals in respect of all members of the household in board and lodging or self-contained accommodation, resulting in overpayment of benefit

HRA Rent Rebates:

- One case (value £940) where an incorrect rate of severe disability premium had been applied, resulting in overpayment of benefit
- One case (value £9) where an overpayment was identified and stopped prior to payment, but the Council did not remove the overpayment amount from the 2013/14 subsidy claim form

Rent Allowances:

- Eight cases (gross combined value £522) where the LHA rate used in the calculation of benefit entitlement had not been updated at 1 April 2013 as required by regulations, resulting in both overpayments and underpayments of benefit.
- Five cases (gross combined value £1,099) where changes to child tax credit income notified to the authority by DWP had been incorrectly actioned, resulting in both overpayments and underpayments of benefit.
- Seven cases (combined value £593) where the Council had either requested or applied a Rent Officer Determination on an incorrect date, resulting in overpayment

of benefit in one case.

- Ten cases (gross combined value £865) where the Council had incorrectly input the claimant's level of earned income into the benefit system, resulting in both overpayments and underpayments of benefit.

Given the extent of errors found in both the initial sample and the additional testing completed, it is recommended the Council completes a review of the processes for administering benefit to ensure the accuracy of data recorded in the benefits system.

Although the Council's procedures to adjust subsidy for uncashed payments identified in the current year or from prior years are unchanged from previous years, we no longer consider these to be effective. Our audit tested two returned payments received in 2013/14 and neither was correctly adjusted for subsidy purposes. In addition, the prior year uncashed payments figure of £3,388 included in the 2013/14 claim was overstated by £2,942. As a consequence, we were unable to give any assurance over the treatment of uncashed payments for subsidy purposes.

We have discussed the additional costs of the audit with officers and requested that the Audit Commission determine an additional fee for the audit of the housing benefits claim. We will provide the Audit and Standards Committee with details of the final fee in due course.

To assist in improving the timeliness of completing our audit work, BDO will agree a timetable with the Council at least two months in advance of the commencement of the Subsidy Claim Audit.

Pooling of housing capital receipts return

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received. The information in these returns is subject to certification on an annual basis.

Findings and impact on return

The certification of the Pooling of housing capital receipts return was completed satisfactorily and the claim was submitted as unqualified and without amendment.

APPENDICES

APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
Housing Benefit The Council should ensure it completes ongoing reviews of the quality of work of benefit operatives and the accuracy of data recorded within the benefit system.	High	The Council continues to undertake review of claims to ensure accuracy of assessment. The level has been maintained in 2013/14 and complete reviews of claims processed in some categories have been undertaken.	Head of Revenues and Benefits	31 March 2014	We have noted a number of further errors as part of the 2013/14 audit and have raised a recommendation in Appendix II.

APPENDIX II: 2013/14 ACTION PLAN

HOUSING BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Our audit found errors in the administration of benefit involving non-HRA rent rebates, HRA rent rebates and rent allowances.	The Council should complete a review of the processes for administering benefit to ensure the accuracy of data recorded in the benefits system.	High	The Council had already recognised the issues in the administration of HB in 2013/14 and early 2014/15 and a review of the management and control structures was carried out in the summer of 2014. The results were significant changes in the management arrangements in Revs and Bens in August 2014. The belief is that the HB results in the second half of 2014/15 will show material improvements from those that are the subject of this BDO report. No further action is proposed at this time.	Head of Customer Services	Completed
	To assist in improving the timeliness of completing our audit work, BDO will agree a timetable with the Council at least two months in advance of the commencement of the Subsidy Claim Audit.	High	Agreed. The Council welcomes this proposal which will assist both the Council and BDO in planning and completing the audit on a timely basis	Head of Customer Services/BDO	March 2015
Our audit identified deficiencies in the Council's systems and controls around the identification of uncashed payments, and the writing back of these within the subsidy form.	The Council should review its systems and processes for the identification of uncashed payments and ensuring that these are correctly accounted for.	High	The Council should review its systems and processes for the identification of uncashed payments and ensuring that these are correctly accounted for. Suggested response: Agreed. The Council will work with BDO to identify and put in place systems and processes which alleviate the weaknesses that BDO have identified.	Head of Customer Services/BDO	March 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 company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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