



LEWES DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION
Year ended 31 March 2015

21 April 2016

INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2015.

Audit Commission regime

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.

For 2014/15, this included only the Housing benefit subsidy claim.

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 claim and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

Other certification work

We have also been asked to certify the Pooling of housing capital receipts return on behalf of the Council. This was previously undertaken under the Audit Commission regime but is no longer a mandated review.

Fees

A summary of the fees charged for certification work for the year ended 31 March 2015 is shown to the right.

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

CLAIM OR RETURN	2013/14 FINAL FEE £	2014/15 PLANNED FEE £	2014/15 FINAL FEE £
Audit Commission regime			
Housing benefit subsidy	19,950	9,530	15,598*
Pooling of housing capital receipts	747	-	-
TOTAL AUDIT COMMISSION REGIME FEES	20,697	9,530	15,598
Other certification work			
Pooling of housing capital receipts	-	1,500	1,500
TOTAL CERTIFICATION FEES	20,697	11,030	17,098

* As noted on the following pages, there were a number of issues identified during the certification of the Housing benefit subsidy claim this year, which required significant amounts of additional testing to quantify and resolve.

Key findings

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2015. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	35,871,995	Yes	No	N/A
Pooling of housing capital receipts	1,279,000	No	No	N/A

HOUSING BENEFIT SUBSIDY

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 methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions (DWP). We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £35.872 million. No amendments were made to the final claim submitted to DWP.

FINDINGS AND IMPACT ON CLAIM

General findings and observations

We have identified a particularly high level of error within the cases tested this year, which has required a significant amount of additional testing by both the Council and the audit team to quantify and resolve. We note in particular that, taking into account the individual errors reported below, the level of local authority error and administrative delay overpayments made by the Council this year falls close to the threshold set by DWP above which reductions to subsidy will apply. Should this threshold be breached in future years, the financial impact on the Council in terms of lost subsidy could be significant. We therefore strongly recommend that the Council carries out a thorough review of its ongoing claims checking procedures, processing controls and claim form compilation processes, to ensure that the level of error does not continue to increase as in recent years.

Reconciliation of benefit granted to benefit paid

The Council has carried out a reconciliation of benefit granted per the benefit software to benefit paid per the benefit software, in accordance with the software supplier's guidance. This has identified a small number of errors in the subsidy claim, resulting in subsidy being over-claimed by £608.

Subsidy claim validation checking process

The supplier of the Council's benefit software provides a number of recommended validation checks for the Council to run prior to assembling the draft subsidy claim completion reports. However, for two of these checks (the prior year/current year classification batch process and the homeless subsidy classification process), the Council has not been able to supply any evidence that the reports were run and investigated prior to the submission of the draft subsidy claim to DWP. Retrospective running of these reports highlighted a total of 8 exceptions, although it is not possible to conclude whether or not these represent errors which impact on benefit entitlement or subsidy claimed without the Council carrying out further work. We recommend that in future years the Council retains evidence that it has run, and appropriately investigated, each of the software supplier's recommended checking processes at year end.

Non-HRA rent rebates

We identified a number of errors within the subsidy claim form in relation to non-HRA rent rebate expenditure, as follows:

Incorrect application of LHA rate caps

For expenditure on non-HRA rent rebates, authorities are able to claim subsidy up to a cap which is based on the appropriate LHA rate for the properties concerned. Our initial testing of 20 non-HRA rent rebate cases identified 4 cases where errors had been made in the application of this cap. Testing of an additional 40 cases identified 7 further errors. We extrapolated these errors over the whole population of non-HRA rent rebate cases, and estimated that the Council has over-claimed subsidy by £5,122. Similar findings were identified in each of the last two years.

Incorrect annual uplifting dates

Our initial testing of 20 rent allowance cases identified 1 case in which the annual uplifting of LHA rates, applicable amounts, and state retirement pension income had been actioned on the incorrect date, due to the case being incorrectly flagged in the benefit system as a weekly rent case. Testing of an additional 40 weekly rent cases identified 6 further cases where incorrect uplifting dates had been applied, for a variety of reasons. We extrapolated these errors over the total subpopulation of weekly rent cases, and estimated that benefit has been overpaid by £56. The subsidy rules allow for a certain level of local authority error overpayments to occur without a reduction to overall subsidy, and therefore there is no impact on the subsidy claimed as a result of this issue. We also identified underpayments of benefit totalling £6 as a result of this issue, although these are not treated as errors for subsidy purposes and were not, therefore, included within our error extrapolation.

Incorrect service charge deductions

We tested a total of 49 cases where service charge deductions had been made, and found that the deduction had been applied at the incorrect amount in 1 of these cases. We extrapolated this error over the total subpopulation of cases with service charge deductions, and estimated that benefit had been overpaid by £39. As the subsidy rules allow for a certain level of local authority error overpayments to occur without a reduction to overall subsidy, there is no impact on the subsidy claimed as a result of this issue. Similar findings were identified in the prior year.

Incorrect application of personal and dependent allowances

Testing of our initial sample of 20 non-HRA rent rebate cases identified 1 case where a lone parent allowance had been applied in error instead of a couple's allowance, and a dependent allowance had not been applied correctly. This resulted in an underpayment of benefit of £22, although this is not treated as an error for subsidy purposes, as subsidy cannot be claimed for expenditure which has not been incurred.

Misclassification of tenancies

We identified 3 cases (out of a total of 60 cases tested) where expenditure had been incorrectly recorded within the non-HRA rent rebate cells on the subsidy claim form, when the expenditure in fact related to properties within the Housing Revenue Account (HRA), and therefore should have been classified as rent rebate expenditure. Similar findings were identified last year, although as both types of expenditure attract subsidy at the same rates there is no impact on the subsidy claimed.

Rent allowances

We identified a number of errors within the subsidy claim in relation to rent allowances expenditure, as follows:

Incorrect income amounts

Our initial testing of 20 rent allowance cases identified 2 cases where income figures had either been actioned from the incorrect date, or had been incorrectly calculated or input. Testing of an additional 40 cases with earnings attached identified 2 further similar errors. We extrapolated these errors over the total subpopulation of rent allowance cases with earnings, and estimated that benefit had been overpaid by £29,156 as a result of these errors. As the subsidy rules allow for a certain level of local authority error overpayments to occur without a reduction to overall subsidy, there is no impact on the subsidy claimed as a result of this issue. In addition, we identified an underpayment of benefit of £2, although this is not treated as an error for subsidy purposes and was not, therefore, included within our error extrapolation. Finally, we identified consequential misclassifications of expenditure within the subsidy claim, which meant that the Council had under-claimed subsidy by £2. Similar findings were identified in each of the past two years.

Misclassification of overpayments

Where benefit overpayments are identified by an authority, these must be classified within the subsidy claim form depending upon their cause (e.g. claimant error, local authority error, etc.) Our testing of an initial sample of 20 rent allowance cases identified 2 cases where overpayments had been incorrectly classified. Testing of an additional 40 overpayment cases identified a further 7 overpayment misclassifications. We extrapolated these errors over the total population of overpayments in each of the relevant cells on the claim form, and estimated that current year eligible overpayments are overstated by £40,829, prior year eligible overpayments are understated by £33,017, and current year local authority error and administrative delay overpayments are understated by £7,812. The total net impact of all of these errors is that the Council has under-claimed subsidy by £4,687.

Incorrect application of single bedroom LHA rate

Testing of an initial sample of 20 rent allowance cases identified 1 case where the single bedroom LHA rate had been applied in error, instead of the shared bedroom rate which should have been applied. As a result, benefit was overpaid by £1,868, although we were able to conclude that this was an isolated error. As the subsidy rules allow for a certain level of local authority error overpayments to occur without a reduction to overall subsidy, there is no impact on the subsidy claimed as a result of this issue.

HOUSING BENEFIT SUBSIDY (CONTINUED)

FINDINGS AND IMPACT ON CLAIM

Incorrect application of a capital restriction

Testing of an initial sample of 20 rent allowance cases identified 1 case where a capital restriction had been incorrectly applied to the claimant's benefit entitlement. As a result, the underlying benefit was understated by £654, and eligible overpayments overstated by the same amount. This meant that subsidy was under-claimed by £392.

Incorrect manual adjustment

We identified one rent allowance case where a manual adjustment to the subsidy claim had been made in error following the reissue of an uncashed cheque. The result was that the Council over-claimed subsidy by £600. However, we were able to conclude that this error was isolated.

Failure to uplift LHA rates

We identified two rent allowance cases where LHA rates were not uplifted from the 2014/15 levels. This resulted in underpayment of benefits totalling £148. These underpayments are not treated as errors for subsidy purposes, as subsidy cannot be claimed for expenditure which has not been incurred by an authority.

Incorrect child tax credit income amounts

Our initial testing of 20 rent allowance cases identified 1 case where an incorrect child tax credit (CTC) income amount had been used in calculating benefit entitlement. Testing of an additional 40 cases with CTC income identified 1 further similar error. We extrapolated these errors over the total subpopulation of rent allowance cases with CTC income, and estimated that benefit was overpaid by £38 as a result of these errors. As the subsidy rules allow for a certain level of local authority error overpayments to occur without a reduction to overall subsidy, there is no impact on the subsidy claimed as a result of this issue. Similar findings were identified in the prior year.

Prior year uncashed payments

Our review of prior year uncashed payments identified that they were overstated by £556 as a result of the Council incorrectly including current year uncashed payments within this cell on the subsidy claim form. As a result, subsidy was under-claimed by £556.

POOLING OF HOUSING CAPITAL RECEIPTS

FINDINGS AND IMPACT ON 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 return provided for audit recorded total receipts of £1.279 million of which £359,568 was payable to the Department for Communities and Local Government (DCLG).

The return was certified without amendment or qualification.

The Council has retained significant sums from receipts in recent years that are reserved for 1-4-1 replacement expenditure for social housing. The regulations require that these sums are used by certain milestone dates or must be repaid to DCLG. At 31 March 2015, the Council had reserved £5.9 million of receipts that need to be applied before 31 March 2018, with £1.2 million before 31 March 2016 and £4.4 million by 31 March 2017.

The Council should ensure that it has appropriate plans in place to use the reserved 1-4-1 funding before each milestone date expires.



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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