



LEWES DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 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 2016.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim 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.

Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the Department for Communities and Local Government (DCLG) for the pooling of housing capital receipts return for the year ended 31 March 2016.

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 our certification work.

Fees

We reported our original fee proposals in our Planning Report. We have not had to amend our planned fees.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
PSAA regime		
Housing benefits subsidy claim	14,960	14,960
Other certification work		
Pooling of housing capital receipts return	1,500	1,500
Total certification fees	16,460	16,460

KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix I of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	£36,509,082	YES	YES	The amendments decreased the total subsidy claimed by £181
Pooling of housing capital receipts	£1,155,613	NO	YES	No impact on total housing capital receipts subject to pooling

HOUSING BENEFIT SUBSIDY	FINDINGS AND IMPACT ON RETURN
<p>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.</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.</p> <p>The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.</p>	<p>Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement. Further details of the errors identified in respect of overpaid benefits are reported on the following pages.</p> <p>Guidance requires auditors to undertake extended 40+ testing if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this within our qualification letter as an observation only. Errors in the prior year resulted in additional testing in the current year as follows:</p> <ul style="list-style-type: none"> • 40 non-HRA rent rebate cases due to incorrect application of the LHA cap in prior year • 40 non-HRA rent rebate cases due to tenancy misclassifications in prior year • 40 non-HRA rent rebate cases tested due to incorrect services charges in prior year • 40 rent allowances cases tested due to uprating being applied from the incorrect date in prior year • 40 rent allowances cases tested due to incorrect child tax credits in prior year • 40 rent allowances cases tested due to incorrect earned income in prior year • 40 rent allowances cases tested due to misclassification of overpayments in prior year. <p>PSAA's methodology requires auditors to reperform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. After further enquiries and explanations, we were able to rely on the Council's conclusions.</p> <p>Our work was completed and the claim was certified on 5 July 2017, which was significantly later than the national deadline of 30 November. This was due to the large volume of additional testing required as a result of errors identified in the current year and prior year claim forms, compounded by capacity issues in the Internal Audit team carrying out the testing and delays in our requests for information and review of the work carried out. Steps have been taken to ensure that our audit of the 2016/17 claim is project managed more effectively.</p> <p>Our audit certification was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy in a letter to DWP. DWP communicated the outcome to the Council on 31 July 2017, reducing the final subsidy amount by a net total of £4,609.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Non-HRA rent rebates	<p>Application of LHA rate cap</p> <p>Testing of the initial sample of 20 Non HRA rent rebate cases and an additional 40 cases identified:</p> <ul style="list-style-type: none">• Ten cases where the LHA cap rate had been applied incorrectly, resulting in an overstatement of expenditure below the cap (which attracts subsidy at full rate) and an understatement of expenditure above the cap (which attracts no subsidy) by £2,785• One case where the LHA cap rate had been applied incorrectly, resulting in an understatement of expenditure below the cap (which attracts subsidy at full rate) and an overstatement of expenditure above the cap (which attracts no subsidy), by £788.	<p>We extrapolated the identified errors (net £1,997 overstatement of subsidy claimed) and reported in our qualification letter an estimated overstatement of subsidy claimed of £5,081.</p> <p>No adjustment was made to the claim form.</p>
Non-HRA rent rebates	<p>Misclassified tenancy types</p> <p>Testing of the initial sample of 20 Non HRA rent rebate cases in the current year identified one case where the tenancy was incorrectly classified as short term leased or self contained licensed accommodation, rather than board and lodging or non self contained licensed accommodation, resulting in a net overstatement of subsidy of £96.</p> <p>No further errors of this type were found in the additional 40 cases tested.</p>	<p>We extrapolated the identified errors (net £96 overstatement of subsidy claimed) over the untested population and reported in our qualification letter an estimated overstatement of subsidy claimed of £235.</p> <p>No adjustment was made to the claim form.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
HRA rent rebates	<p>Carer's Allowance Annual Uplifting</p> <p>From our initial sample testing of 20 cases, we identified one case where the annual uplifting to the claimant's carer's allowance was incorrectly applied from the Monday following the annual uplift date. This had no impact on the benefit entitlement in this claim.</p> <p>A 100% check was performed over all HRA rent rebate cases with a carer's allowance amount to check if there were any further errors in the application of carer's allowance.</p> <p>From this extended testing we identified a further 45 cases where the carer's allowance had been uprated from the incorrect date. The maximum possible total impact of these errors is an overstatement of benefit of £20.</p> <p>Management explained that the uprating of the carer's allowance was not part of the normal annual uprating process at year-end. An automated notice was received from DWP during the year which provided a retrospective start date of the first Monday in April. The Council had not marked them as annual uprating as there is no such facility on the record. Therefore the software treated them as a normal change of circumstances and applied the change from the following Monday.</p>	<p>We reported the overstatement of benefit of £20 in in our qualification letter.</p> <p>No adjustment was made to the claim form.</p>
Rent Allowances	<p>Annual uplifting</p> <p>Prior year testing of rent allowance cases identified cases where annual uplifts of LHA rates, applicable amounts and some income types were applied from the incorrect date as a result of the cases being incorrectly treated as weekly rent liability cases, resulting in over and understatements of benefit.</p> <p>No errors of this type were found in the initial sample of 20 cases tested in the current year.</p> <p>Extended testing on 40 cases identified one case where a monthly rent case had been incorrectly treated as a weekly rent case and therefore uprated from the incorrect date, resulting in an overstatement of benefit of £4.</p>	<p>We extrapolated the identified error for overpaid benefit over the untested population and reported in our qualification letter an estimated overstatement of subsidy claimed of £41.</p> <p>No adjustment was made to the claim form.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Rent allowances	<p>Earned income</p> <p>Prior year testing identified four cases where earned income had been incorrectly input, resulting in over and understatements of benefit.</p> <p>No errors where benefit was overpaid as a result of incorrect recording of earned income were found in the initial sample of 20 cases tested in the current year.</p> <p>Extended testing of 40 cases identified one case where earned income was incorrectly recorded, resulting in an overstatement of benefits of £9.</p>	<p>We extrapolated the identified error for overpaid benefit over the untested population and reported in our qualification letter an estimated overstatement of subsidy claimed of £578.</p> <p>No adjustment was made to the claim form.</p>
Rent allowances	<p>Childcare costs</p> <p>From our initial sample testing of 20 cases, we identified one case where childcare costs were incorrectly recorded, resulting in an overstatement of benefits of £6.</p> <p>Extended testing on 40 cases identified one case where the childcare costs had been incorrectly input, resulting in an overstatement of benefit of £78.</p>	<p>We extrapolated the identified errors for overpaid benefit over the untested population and reported in our qualification letter an estimated overstatement of subsidy claimed of £974.</p> <p>No adjustment was made to the claim form.</p>
Rent allowances	<p>Rental liability</p> <p>Testing of the initial sample of 20 cases identified:</p> <ul style="list-style-type: none"> One case where rent had not been correctly entered, resulting in an overstatement of expenditure related to cases not requiring referral to the rent officer (which attracts subsidy at full rate) and a understatement of LA error and administrative delay overpayments (which attracts no subsidy) by £2 One case where rent had not been correctly entered, resulting in an overstatement of expenditure on that part of weekly eligible rent above the rent officer's determination on a claim where restrictions could not be made under Regs.13 or 1JZA (which attracts subsidy at 60%) and an understatement of total expenditure on that part of weekly eligible rent at or below the rent officer's determination on a claim (which attracts subsidy at full rate), by £380. <p>No errors where benefit was overpaid as a result of incorrect recording of rent were found in the extended sample of 40 cases.</p>	<p>The net effect of the identified errors was an understatement of benefit of £150.</p> <p>No adjustment was made to the claim form.</p>

DETAILED FINDINGS

Other parts of the claim form	Error description	Impact on claim
Uncashed cheques	The entry on the claim form for ssubsidy reduction in respect of uncashed payments prior to 2015/16 was £nil, whereas the amount in the subsidy reports indicated an amount of £67.	This error resulted in an over-claim of subsidy of £67.

POOLING OF HOUSING CAPITAL RECEIPTS	FINDINGS AND IMPACT ON RETURN
<p>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.</p> <p>DCLG requires that this return is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide a reasonable assurance report.</p>	<p>One adjustment was made to the return as a result of an issue identified by the Council during the audit, which resulted in new-build expenditure in the year as disclosed in the return reducing by £103,946, to £163,478.</p> <p>New-build expenditure is disclosed in the return as information for DCLG and does not impact on total housing capital receipts subject to pooling.</p>

APPENDIX I: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Non-HRA rent rebates Our audit in 2015/16 identifies issues in respect of: <ul style="list-style-type: none"> • Incorrect application of the LHA rate cap • Misclassified tenancy types. We note that LHA rates have not changed in 2016/17 or 2017/18.	We recommend that additional checks are carried out to ensure that tenancies are correctly classified.	High	Accepted for 2017/18. Checking in this area is already in progress.	Head of Planning and Revenues	March 2018
HRA rent rebates Our audit in 2015/16 identifies issues in respect of the carer's allowance annual uplifting not being applied from the correct date. We note that LHA rates have not changed in 2016/017.	We recommend that additional checks are carried out to ensure that the carer's allowance annual uplifting is applied from the correct date for all HRA rent rebates in 2017/18.	High	Accepted for 2017/18.	Head of Planning and Revenues	March 2018
Rent allowances Our audit in 2015/16 identified issues in respect of: <ul style="list-style-type: none"> • Annual uplifts of LHA rates, applicable amounts and some income types applied from the incorrect date • Earned income incorrectly input • Childcare costs incorrectly recorded • Rent incorrectly recorded. We note that LHA rates have not changed in 2016/17 or 2017/18.	We recommend that additional checks are carried out to ensure that annual uplifts of applicable amounts and all income types are applied from the correct date, earned income is correctly input, and that childcare costs and rent are correctly recorded for all rent allowances.	High	Accepted for 2017/18. Checking in these areas is already in progress.	Head of Planning and Revenues	March 2018

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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