



EASTBOURNE BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2013

CONTENTS

INTRODUCTION	1
KEY FINDINGS.....	2
APPENDIX I: ACTION PLAN	5

INTRODUCTION

PURPOSE OF THE REPORT

This report summarises the main issues arising from the certification of grant claims and returns for the financial 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.

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 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.

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 shows the action plan to improve the arrangements for preparing grants and other returns, along with the Council's progress against the agreed 2011/12 actions.

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.

CLAIM OR RETURN

PLANNED FEE £

OUTTURN FEE £

Housing and council tax benefit subsidy	17,140	17,140
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National non domestic rates return	3,480	3,480
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Pooling of housing capital receipts	1,730	1,730
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TOTAL FEES	22,350	22,350
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The indicative scale fees for certification work was initially set by the Audit Commission and reported in our Planning Letter 2012/13 as £21,900. This was subsequently increased by the Audit Commission by £450 to incorporate fees for the annual final report of the findings of the certification work.

There have been no other variations of the scale fee as a result of the work undertaken.

KEY 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 I of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing and council tax benefit subsidy	58,660,722	Yes	No	See note below on potential DWP recovery
National non-domestic rates return	31,307,913	No	No	-
Pooling of housing capital receipts	3,571,083	No	No	-

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY

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.

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.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £58,660,772.

FINDINGS AND IMPACT ON RETURN

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

On completion of the additional testing, we concluded that the following entries in the subsidy return were incorrect and either required amendment or we were required to extrapolate the error over the relevant cell populations. This information was provided in our qualification letter to the Department of Work and Pensions (DWP).

Non HRA tenancy type misclassification

Testing of all cases recorded as non-self contained accommodation found six cases (with a value of £12,651) that should have been included as self contained accommodation. All of these cases have subsequently been corrected in 2013/14 and DWP has accepted this. A similar issue was also reported in the previous year.

Non HRA overpayments misclassification

Testing of all eligible overpayments found 22 cases (with a value of £4,271) that should have been recorded as technical overpayments, meaning that there was no underlying liability to be credited. As technical overpayments are not funded, and eligible overpayments attract subsidy at 40%, DWP has informed the Council that it intends to withhold £1,708 of subsidy.

Council tax benefit overpayments misclassification

Initial testing of eligible overpayments for council tax benefit found three errors from six overpayments that should have been recorded as technical overpayments, meaning that there was no underlying liability to be credited. Testing of an additional 40 council tax benefit overpayments found a further six cases that had been misclassified.

Total errors were confirmed as £1,148 and this was extrapolated across the total value included in eligible overpayments and reported that the total amount potentially misclassified was £43,997.

As technical overpayments are not funded, and eligible overpayments attract subsidy at 40%, DWP has informed the Council that it intends to withhold £17,599 of subsidy.

A similar issue was also reported in the previous year.

Modified local schemes for war widows pension income disregards

Testing of all cases for war widows pension income disregards found one error where the benefit awarded as normal entitlement would have been higher, and the amount awarded under the local scheme would have been lower, had the pension not been included twice.

The amounts reclassified from local scheme benefits would be £2,455 as rent allowance and £758 as council tax benefit. Since local scheme payments attract subsidy at 75% (subject to a cap), and normal entitlement is funded at 100%, the council has under claimed subsidy by £803. This case has subsequently been corrected in 2013/14.

Reconciliation to benefit paid

DWP requires that the amount of benefit entitlement generated, on which subsidy is calculated, be reconciled to the amounts paid out to claimants. The software suppliers provide various tools to complete this reconciliation, and exception reports highlighting discrepancies for each claimant, so that these can be investigated and resolved. Where the amounts claimed exceed the amounts that can be shown to have been paid to claimants, the lower amounts must be included in the subsidy return.

Our review found that overall, the Council had paid out some £8,002 more than it had included in the subsidy return for benefits generated, suggesting that the council was under claiming subsidy entitlement. The exception reports had been provided to the benefits team, but the discrepancies were not investigated by them.

Across the four benefit types, three were found to have paid out more benefit, by £8,512, while rent rebates was found to have under paid £510 of benefit. DWP has informed the Council that it intends to withhold £510 of subsidy.

Responses to DWP

DWP wrote to the Council to state that it intends to withhold, in total, £19,817 and to seek assurances that these issues will be addressed in 2013/14. The Council responded on 21 January to confirm that non HRA tenancy type classifications will be reviewed and a monthly review of overpayments will be undertaken and additional training provided where necessary.

NATIONAL NON DOMESTIC RATES RETURN

The Council is a billing authority and 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.

The return provided for audit recorded the amount payable to DCLG of £31,307,913.

FINDINGS AND IMPACT ON RETURN

The return was certified without amendment or qualification.

POOLING OF HOUSING CAPITAL RECEIPTS

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 the amount payable to DCLG of £197,768, which was net of amounts that can be retained by the Council from the total receipts of £3,571,083.


FINDINGS AND IMPACT ON RETURN

The return was certified without amendment or qualification.

APPENDIX I: ACTION PLAN

CONCLUSIONS	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
Recommendations brought forward from 2011/12					
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.	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	Not resolved See 2012/13 action plan
On a number of occasions overpayments had been misclassified between eligible excess council tax benefit and technical excess benefits.	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	Not resolved See 2012/13 action plan
Recommendations 2012/13					
Testing of non HRA tenancy type recorded as non-self contained accommodation found a high number of cases that should have been included as self contained accommodation.	Tenancy type for non HRA rent rebate claimants should be properly checked so that the entitlement is appropriately reflected in the subsidy claimed.	High	100% of cases that fall into this subsidy category will be checked prior to submission of the 2013/14 claim.	Revenues and Benefits Manager	April 2014
Testing of both non HRA tenancy benefits and council tax benefits eligible overpayments found a high number of cases that should have been recorded as technical overpayments.	Overpayments classified as eligible should be reviewed to ensure that there remains an underlying liability for rent or council tax, and should not be recorded as technical excess overpayments where no underlying liability exists.	High	All non HRA overpayments to date this year have been reviewed and will be checked each month. Council Tax benefit was abolished from April 2013 and is no longer included in the Subsidy claim. Training will be provided where staff have been found to have misclassified these overpayments.	Revenues and Benefits Manager	Ongoing

CONCLUSIONS	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
The Council had not reconciled benefit entitlement awarded to paid benefit, and an unreconciled net difference of £8,002 remained in the subsidy claimed.	The Council should use the software provided by the supplier which includes exception reports that should allow the differences for each claimant to be investigated and resolved.	High	The Performance and Monitoring staff will review cases highlighted on the various reports to identify and correct the differences.	Revenues and Benefits Manager	Ongoing



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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