
Grant claims and returns certification

YEAR ENDED 31 MARCH 2012

BABERGH DISTRICT COUNCIL

JANUARY 2013



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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 the year ended 31 March 2012.

SUMMARY OF HIGH LEVEL FINDINGS

Claim or return	Value (£)	Qualified?	Amended?	Impact of amendments (£)
Housing and council tax benefit subsidy	£24,505,411	Yes	No	-
National non-domestic rates return	£20,889,528	No	Yes	-*
Pooled housing capital receipts	£540,677	No	No	-
Housing subsidy return	£5,382,640	No	Yes	-*
Total for 2011/12	£51,318,256			
Total for 2010/11	£48,899,080			

*amendment made to specific cells on the claim or return, no impact on the net subsidy claimed or amounts due to be paid.

The Council has implemented all of the recommendations raised in our 2010/11 grant claims and returns certification report.

A number of issues were experienced with the Housing and Council Tax benefit subsidy audit this year. These primarily related to a comparatively high error rate which involved additional extended testing as well as the impact of a mid year change in benefits system. Our report contained multiple qualifications.

To improve the accuracy of grant claims and returns the following need to be addressed:

- The Council should discuss the content of this report with the Shared Revenues Partnership to secure improvements in the accuracy of data processed and to ensure that all year end procedures and reports are produced.

2 Introduction

THE PURPOSE OF THIS REPORT

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.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment to the figures 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 for the housing and council tax benefit subsidy audit.

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 audits by both the Council staff and the Shared Revenues Partnership (SRP) staff.

3 Key findings

KEY FINDINGS AND CONCLUSIONS

One of the grant claims and returns required amendments and two grants claims required qualification as part of the certification process and further improvement to the accuracy of draft claims submitted for audit needs to be achieved. A summary of the results of our certification work is set out in the table below.

Claim or return	Value (£)	Qualified?	Amended?	Impact of amendments (£)
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HOUSING AND COUNCIL TAX BENEFIT SUBSIDY CLAIM

Where errors are found within the sample of cases tested, unless these are clearly isolated, mandatory extended 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 the Department of Work and Pensions in a qualification letter.

A number of errors were identified during the course of the initial testing. This resulted in thirteen additional blocks of "40+" testing being completed, initially undertaken by the SRP's benefits staff and a sample of these cases re-performed by ourselves to confirm the

conclusion reached. There was also 100% testing completed on all types of modified schemes due to the insufficient evidence available to support the figures.

On 1 April 2011, the Council entered into a Shared Revenues Partnership (SRP) hosted by Ipswich Borough Council to undertake revenues and benefits administration. The SRP was responsible for the compilation of the housing and council tax benefit subsidy claim form and the claim form was then approved by the Council. In November 2011, data was migrated from the existing software system, Civica, to a common platform, Northgate, used by all members of the Shared Revenues Partnership.

Overall, there was a significant increase in the number of errors and uncertainties identified with the Housing and Council Tax Benefit subsidy claim compared to the previous year. This was partly due to the change in benefits system from 'Civica' to 'Northgate' during the year, along with an increase in the number of errors relating to data input.

The errors identified from the certification work required were as follows: -

Benefit Software

- the Council used the Civica Open Revenues benefit software to compile part of the 2011/12 claim prior to the transfer to Northgate. The Council did not use the appropriate version of the software per the Audit Commission's prescribed Civica checklist, and upgrades and patches to correct known software errors were not run between the migration period and the end of March 2012 prior to the claim form being produced
- validation checks and recalculations were not run on Civica prior to the date of transfer of data to Northgate as these were unavailable from the software supplier
- one year end validation report was run on Northgate on the incorrect date
- standard reconciliation methodology was not used to compile the year end form due to two systems being used during the year. A manual reconciliation was, however, completed in Excel to add the outputs from the two systems together. We are required to report in our qualification letter where standard supplier reconciliation methodology has not been used.

Overall, we were unable to identify which, if any, of the cells on the claim form may have been affected by these software issues and the value of any errors, therefore, our qualification letter reported we were unable to conclude that the entries on the claim form were fairly stated.

Underpayment of benefit

- Our initial testing of 20 Council tax benefit cases identified one instance (5%) where benefit had been underpaid by £3.30 due to a fault with the Civica system arising from two changes in circumstances being processed on the same day. The fix was provided by the software supplier in November 2011 and was not run on Civica

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- Our initial testing of 6 (due to the small population) Non Housing Revenue Account (HRA) rent rebates cases identified one case (17%) where the child tax credit had been entered incorrectly on the benefit system resulting in an underpayment of £8.25
 - We found 1 instance out of 20 cases (5%) of eligible rent being incorrectly entered during our initial Rent allowances testing resulting in an underpayment of £6.56. Extended testing of 80 cases found 2 further errors (2.5%) where the private pension figure was incorrect and the working tax credit was incorrect resulting in a combined underpayment of £143.14 and 5 errors (12%) out of another sample of 40 cases where the self employed income had been incorrectly calculated with a combined £500 underpayment of benefit
 - We identified 1 case in our HRA rent rebates initial sample of 20 cases (error rate of 5%) where the self employed income figure had been incorrectly entered resulting in a £11.85 underpayment of benefit. A further 2 errors were identified in our extended testing of 64 cases (3%) resulting in underpayments of benefit.

Overpayment of benefit

- During our initial Non HRA Rent Rebates testing of 6 cases, we found one case (17%) where the rent liability had been entered incorrectly resulting in an overpayment of benefit. The additional testing of 13 cases found a further one case (8%) where liability had been incorrectly entered. The overpaid benefit amounted to £162 within the sample tested.
- Our testing of 20 HRA rent rebates cases identified 3 cases (15%) where self employed income was incorrectly calculated. In 2 instances there was no impact on the benefit paid, in the remaining case, benefit had been overpaid by £368.
- Our initial testing of 20 rent allowances cases identified 2 cases (10%) where data had been input incorrectly which resulted in £78 overpaid benefit. Extended testing identified 14 cases out of 40 (35%) where self employed income had been incorrectly calculated (6 of which resulted in overpayment of benefit, 5 resulted in an underpayment (see above) and in 3 cases there was no impact on benefit), 1 case out of 40 (2%) where the earned income calculation was incorrect and 1 case out of 40 (2%) where the working tax credit had been entered incorrectly. Overpaid benefit in these cases amounted to £694.06.
- Our initial testing of rent allowances also identified 1 case out of 20 (5%) where the eligible overpayment had been incorrectly calculated resulting in a £35 overpayment and 1 case out of 20 (5%) where the claim had been incorrectly classified as an eligible overpayment valued at £120. A further 2 cases in the extended sample of 40 (5%) were found where the overpayment had been incorrectly calculated. There was also another 7 cases out of 40 (17%) found where the overpayment had been incorrectly recorded as “eligible” (claimant error) when they should have been recorded as Local Authority error. Due to the high error rate, the SRP elected to

undertake an additional sample of 40 cases in addition to the 40 previously tested. The total value of the classification errors in the combined total of 100 cases sampled was £3,150 and the total value of the overstatement errors in our sample was £325.

Modified schemes

Our initial testing on modified schemes revealed a high occurrence of error. Consequently, the SRP undertook 100% checks on all types of modified schemes. They were able to undertake this level of checking, because of the relatively small population (41 cases in total). The overall results were an underpayment of Council tax benefit of £16.25, an underpayment of HRA Rent rebate benefit of £41.65 and an underpayment of Rent allowances benefit of £281.77.

Overpayments of benefit also arose in relation to modified schemes of £19.84 for Council Tax. We also identified that an overpayment amount had been understated by £74.56.

These matters were all reported within our qualification letter as required by the Certification Instructions.

Missing evidence

The claim was qualified because the Council operates a policy whereby supporting evidence for cases that relate to pre-2006 is not retained on the benefits system. From our testing there were 14 separate cases out of 81 claims where evidence was not found for claims due to the case relating to pre-2006.

Within our rent allowances initial and extended testing, we identified 2 cases, not pre-2006, where evidence was not available to support benefit calculations in relation non-verification of non-dependants income and non-verification of a private pension amount.

Other errors

Our initial testing also identified a number of other errors that had no impact on benefit entitlement as evidence was either obtained during the course of the audit to support figures used in the benefit calculation.

HOUSING SUBSIDY RETURN

The adjustments made to this claim related to the incorrect enter of the number of dwellings at 1 April 2011 included shared ownership and the understatement of the average amount of borrowing outstanding in 2011-12 by £4.

NATIONAL NON-DOMESTIC RATES RETURN

An amendment was made to the claim form to correct the date the latest information had been taken into account from the valuation office in the compilation of the claim form.

IMPROVEMENTS

Improvements could be achieved through strengthening the overall claims preparation control environment around the compilation of the housing and council tax benefit subsidy. To

improve the accuracy of grant claims and returns the Council should discuss the content of this report with the Shared Revenues Partnership to secure improvements in the accuracy of data processed and to ensure that all year end procedures and reports are produced.

Our review of the implementation of recommendations made in our 2010/11 grant claims and returns certification report, the detail of which is included at Appendix A, identified that all of the recommendations made had been satisfactorily addressed.

We have made some further recommendations, in response to the findings from this year's certification work, to secure further improvement to grant claims and returns preparation processes in Appendix B.

4 Fees

Claim	Actual fee year ended 31 March 2012 (£)	Actual fee year ended 31 March 2011 (£)
Housing and council tax benefit subsidy	54,086	29,825
National non-domestic rates (NNDR) return	4,318	3,270
Housing revenue account subsidy return	1,205	1,623
Pooling of housing capital receipts	1,358	2,125
Disabled facilities grant	- ¹	511
Housing base data return	- ²	6,891
Grants report	750 ³	745
TOTAL	61,717	44,990

The increase in the Housing and council tax benefit subsidy fee is due to the increase of additional testing for 2011/12 as previously detailed and the time required to deal with a much higher rate of error. For the year ended 31 March 2011, there was only one block of additional 40+ testing required, compared with 13 in 2011/12. The mid year transfer of data also led to certain modules of the certification instructions being completed twice as system diagnostics and parameter checks were completed on both Civica and Northgate.

The increase in the NNDR return fee relates to the mid year transfer of data between Civica and Northgate and additional work was undertaken to verify values reported in the claim form.

¹ No longer a ring fenced grant therefore certification not required in 2011/12.

² Claim no longer prepared following housing reform.

³ Estimated fee.

Appendix A – Status of 2010/11 recommendations

Recommendations	Priority	Management response	Responsibility	Timing	Progress
Legal costs for the pooled capital receipts claim did not agree to underlying documentation.	The Council requests all source documentation and checks a sample of costs to ensure they are accurate prior to finalising the claim.	A pro-forma document has been provided for legal to complete, sampling will take place prior to completion of the grant claim.	Sue Smith	Already in use.	No issues were identified in our 31 March 2012 audit and therefore this recommendation has been addressed.

Appendix B – 2011/12 action plan

Matter Arising	Recommendations	Priority	Management Response	Responsibility	Timing
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HOUSING AND COUNCIL TAX BENEFIT SUBSIDY

Matter Arising	Recommendations	Priority	Management Response	Responsibility	Timing
A number of cases were identified where self employed income had been incorrectly calculated.	A training course to be undertaken to inform all Shared Revenue Partnership staff how to calculate self employed income. Sample checks should then be undertaken on claimants with self employed income to ensure the calculation is correct.	High	Agreed – Training has been undertaken and self-employed cases are included in the 5% checking regime.	SRP QC & Subsidy Team Leader	See management response
The various validation and reconciliation reports were run but the because of the change of system this was a manual process and one report was run on the wrong date.	The SRP should ensure all required reports are run and cleared at the year end and Northgate's methodology is used to reconcile the claim.	High	Agreed – Northgate reconciliation has been used throughout the current year and all reports will be run at the appropriate time.	SRP QC & Subsidy Team Leader	See management response
There were a significant number of data input errors identified in our initial testing.	Spot checks should be completed on a sample of new claimants and change in circumstances to ensure they have been correctly entered on the benefits system.	High	Agreed – All new claims & change of circumstances are included in the 5% checking regime.	SRP QC & Subsidy Team Leader	See management response
There were 2 cases where all supporting evidence had not been obtained from the claimant prior to paying benefit to support the award made.	As above. Part of the spot check should ensure that all supporting evidence has been obtained and agrees to the values reported on the benefit system.	High	Agreed – As above, this check is also part of the 5% checking regime.	SRP QC & Subsidy Team Leader	See management response
We identified 8 cases where the overpayment had been incorrectly classified as eligible when	Spot checks should be undertaken on a periodic basis to ensure the overpayment has been	Medium	Agreed – Correct classification of subsidy codes is an ongoing process during year.	SRP QC & Subsidy Team Leader	See management response

Matter Arising	Recommendations	Priority	Management Response	Responsibility	Timing
it should have been recorded as Local Authority error which attracts different levels of subsidy.	correctly classified and correctly calculated.				
