

BABERGH 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 main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2014.

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 with the reasons for qualification set out in a letter to the grant paying body. 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 5) shows the Council's progress against the action plan included in our 2012/13 Grant Claims and Returns Certification report (presented to the Audit 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, both by the Council staff and the Shared Revenues Partnership staff, during the course of our certification work.

FEES

	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing benefit subsidy	28,930	26,804
Pooling of housing capital receipts	825	825
TOTAL FEES	29,755	27,629

The outturn fee is lower than the planned scale fee for the following reasons:

- The outturn fee for the housing benefit subsidy certification is lower than the planned fee due to the baseline scale fee being based on 2011/12. In 2011/12, the Shared revenues Partnership changed benefits systems mid-year which meant we had to undertake several elements of the testing twice such as confirming the correct system parameters and software reconciliations. The fee reduction above removes the duplication of work included within the baseline scale fee.

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	19,984,514	Yes	No	N/A
Pooled housing capital receipts	1,521,274	No	Yes	496

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 return
<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 (the subsidy claim), 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 the subsidy claim. 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.</p> <p>Guidance requires auditors to undertake extended 40+ testing if initial testing identifies 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.</p>	<p>We identified a number of errors in our initial sample and the Shared Revenue Partnership's benefits team undertook a number of extended testing samples on which we re-performed a sample to satisfy ourselves that the correct conclusion had been reached.</p> <p>We have reported underpayments of benefit, uncertainties and the extrapolated value of other errors in our qualification letter addressed to the DWP following agreement with both the Shared Revenues Partnership and Council officers. In total, 11 blocks of 40+ testing and 1 block of 100% testing (whole population) have been completed. We agreed with the Shared Revenues Partnership's conclusions during our re-performance testing in all cases.</p> <p>The following are the main areas reported in our qualification letter:</p> <ul style="list-style-type: none">• There were a number of parameters on the system that had been updated on a percentage basis rather than actual amounts which is contrary to DWP guidance• The Council had not reviewed the risk based verification policy for 2013/14 in accordance with the guidance• Earned income had been incorrectly calculated within rent rebates and rent allowance cases. 40+ testing was undertaken to quantify the results and include within the qualification letter.• Private pension amounts had been omitted from the income assessment (1 error) or had been updated on the incorrect date (2 errors) within rent rebate claimants. 40+ testing was undertaken to quantify the results and include within the qualification letter.

Housing benefit subsidy

Findings and impact on return

- State retirement pension figures had not been updated or the prior year amount had been updated within rent allowances. 40+ testing was undertaken to quantify the results and include within the qualification letter.
- Classification of eligible overpayments within rent allowances. 40+ testing was undertaken to quantify the results and include within the qualification letter.
- Student income had been incorrectly calculated, however we only identified an error in 2 cases out of the total population affected of 12. In both instances the error resulted in an underpayment of benefit. This was reported within our qualification letter
- Self-employment income had been incorrectly calculated within rent allowances. 40+ testing was undertaken to quantify the results and include within the qualification letter.
- A number of instances of underpaid benefit were identified and reported across the various benefit types.

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 information in these returns is subject to certification on an annual basis.

Our certification work on the information submitted to the Secretary of State in relation to the housing capital receipts received by the Council during 2013/14 did not identify any significant matters which require reporting.



APPENDICES

APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	2013/14 FINDINGS
HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
Undertake a fundamental review of the processes the Council has in place to assure itself that overpayments are being classified correctly for subsidy purposes. This should include sample testing of an appropriate number of overpayments from each category of benefit during the year to verify the accuracy of classification.	High	Agreed. Further training has been provided and sampling of overpayment classification is undertaken	SRP Business Support Manager	May 2014	Overpayment classification errors were identified during the 2014 audit.
Spot check a sample of rent figures to ensure they have been correctly calculated and that there is supporting evidence for the current rent figure being applied.	High	Agreed. In part this was due to incomplete historic records or the ability to locate those records. Within the current electronic filing system, we have moved to storing rent details against the claim and the Landlord so supporting evidence should be available for inspection in future.	SRP Business Support Manager	February 2014	Only one error was identified in relation this during our 40+ testing which is on a sample basis.
Further sample checks should be undertaken on claimants with self employed income to ensure the calculation is correct.	High	Agreed. A new calculation form has been introduced, training provided as required and a review of existing claims undertaken. Further sampling will be undertaken to ensure consistency of calculation and in application of regulations.	SRP Benefits Manager SRP Business Support Manager	April 2014	Self-employment calculation errors were identified during the 2014 audit.

POOLING OF HOUSING CAPITAL RECEIPTS

The Council should ensure the correct values are recorded in accordance with the return guidance.

Medium Agreed

Senior Financial Services Officer

No such issues were identified in the current year.

APPENDIX II: 2013/14 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY						
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	
There were a number of parameters on the system that had been uprated on a percentage basis rather than actual amounts which is contrary to DWP guidance	The Council should review DWP guidance and ensure compliance by uprating the parameters by values where required.	High	Uprating was dealt with in line with DWP recommended protocol/procedure. We are aware of the advice given in A24/2013 issued in Dec 2013 with regards to IT systems applying a % increase. We mitigate the risk by looking at CIS when the case is next reviewed to ensure the social security benefit has been uprated correctly. Once Atlas is fully integrated this will be corrected automatically.	SRP OMBS	2015	
The Council had not reviewed the risk based verification policy for 2013/14 in accordance with the guidance	The Council should review the Risk Based Verification Policy annually as required by the guidance.	High	The RBV policy was written with the 13/14 year in mind. Any review would have only considered 14/15 changes. The policy has been reviewed for 14/15 and remains unchanged	SRP OMBS	2015	
Private pension amounts had been omitted from the income assessment (1 error) or had been updated on the incorrect date (2 errors) within rent rebate claimants.	The Shared Revenues Partnership should perform sample checks to ensure the correct pension amounts have been included in the assessment of income and the change has been applied from the correct date.	Medium	Sample checks are undertaken and findings fed back. Additional training, supervision and measures are employed as appropriate.	SRP OMBS	2015	
State retirement pension figures had not been updated or the prior year amount had been uprated within rent allowances.	The Shared Revenues Partnership should perform sample checks to ensure the correct pension amounts have been included in the assessment of income and the change has been applied from the correct date.	Medium	Sample checks are undertaken and findings fed back. Additional training, supervision and measures are employed as appropriate.	SRP OMBS	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 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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