

# Grant claims and returns certification

YEAR ENDED 31 MARCH 2012

Hastings Borough 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.

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# Introduction

## THE PURPOSE OF THIS REPORT

This report summarises the matters arising from the certification of grant claims and other government returns for the period ended 31 March 2012. We also report the amount of fees incurred by the Council for the audit of such claims and returns.

We undertake grant claim certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued to auditors 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 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 and the methodology for this work are prescribed by the Audit Commission.

## 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 audit. In particular, we are pleased to report our joint working arrangements with the Internal Audit Section continue to operate effectively and we placed the maximum reliance possible on its work, thereby minimising the overall fee for the audit.

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# Key findings

## KEY FINDINGS AND CONCLUSIONS

The Council prepared only two grant claims and returns ('returns') for the period ended 31 March 2012. The total value of such returns was over £84 million and represents a substantial source of income (and expenditure) for the Council.

Our overall conclusion is that the Council's arrangements for the preparation of returns, and subsequent submission to the relevant Government department and external audit in accordance with specified deadlines and with appropriate working papers, remain satisfactory.

The value of the claims we reviewed and the outcome of our certification work is summarised below.

Claim or return	Value (£)	Qualified?	Amended?	Impact of amendments (£)
Housing and council tax benefit subsidy	64,395,125	Yes	Yes	(1,019)
National non-domestic rates return (NNDR)	20,098,837	No	No	-

While the certification of the 'NNDR' return was completed satisfactorily, the housing and council tax benefit subsidy claim was amended and also qualified following our detailed audit work, as shown below.

## HOUSING AND COUNCIL TAX BENEFIT SUBSIDY

The value of housing and council tax benefit subsidy claimed in 2011/12 amounted to £64.4 million. In planning our work, we concluded the control environment surrounding the preparation of the claim was satisfactory. Regardless of the effectiveness of the control environment, the grant paying department (the Department for Work and Pensions - the 'DWP') requires us to undertake detailed testing of a sample of 40 benefit cases across all benefit types, because of the complexity of the claim and the significant expenditure involved. The Internal Audit Section provides significant resources to complete the detailed review of benefit cases and we were able to rely on its work. We will be discussing the scope for further improving our joint approach with the Head of Internal Audit in due course.

Internal Auditors found errors in calculating entitlement to benefit across certain claimant types. Additional work was undertaken to assess the nature of errors and the possible impact on benefit claimed. The errors involved the incorrect recording of:

- rental liability and benefit commencement dates

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- income used to calculate rent allowance and council tax benefit due
  - the value of war pensions.

Regardless of the value of error found, the DWP requires auditors to consider extending the scope of testing to a further 40 benefit cases. Each case is reviewed to determine whether the specific type of error previously identified has reoccurred and does not involve a full audit of the additional sample case. All of the additional testing was completed by the Internal Audit Section and our re-performance of such work confirmed the conclusions drawn were satisfactory.

The additional testing identified further errors and a qualification letter accompanied the certified claim despatched to the DWP. The qualification letter noted the following matters:

- three cases where the claimant was underpaid benefit as a result of errors in the recording of information relevant to the claim. The total value of the underpayment was £71
- an extrapolated potential overpayment of £1,338 on Non-HRA Rent Rebates arose because the amount of rent was incorrectly recorded
- an extrapolated potential overpayment of £36,194 on council tax benefit due to the miscalculation of applicable income amounts.

We have made a recommendation in response to the findings from this year's Housing and council tax benefit subsidy claim audit (see Appendix A). There are no other matters we wish to bring to your attention.

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# Fees

The overall fee for the audit of grant claims and returns was in line with the planned amount and reduced compared to the previous year, as shown below.

Grant Claim/Return	Actual fee year ended 31 March 2012 (£)	Planned fee year ended 31 March 2012 (£)	Actual fee year ended 31 March 2011 (£)
Housing and council tax benefit subsidy	21,638	20,000	21,799
National non-domestic rates return	3,675	5,000	5,367
<b>Billed for grants audit work</b>	<b>25,313</b>	<b>25,000</b>	<b>27,166</b>
Grants report preparation	750	750	950
<b>TOTAL GRANTS FEES</b>	<b>£26,063</b>	<b>£25,750</b>	<b>£28,116</b>

In future years, a fixed fee for the audit has been specified by the Audit Commission and amounts to £16,300. The fee has reduced by 40 per cent compared to the 2010/11 level

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# Appendix A – 2011/12 action plan

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
<b>Housing and council tax benefit subsidy</b>					
<p>Internal Audit testing of benefit cases included in the 2011/12 subsidy return identified a number of errors affecting various claimant types. These were:</p> <ul style="list-style-type: none"><li>- errors made in the recording of rental liability and start dates</li><li>- errors made with the recording of income used to calculate rent allowance and council tax benefit payable.</li><li>- the incorrect recording of the value of war pensions</li></ul>	<p>The Council should take steps to ensure benefit entitlement is calculated accurately based on the information provided by claimants.</p>	High	<p>The review of benefit operatives assessment work will continue based on the risk and complexity of individual claims.</p>	Head of Benefits	Immediate

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