



# HASTINGS BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2013

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# INTRODUCTION

## THE PURPOSE OF THIS REPORT

This report summarises the 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.

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 (page 6) shows the Council's progress against the action plan included in our 2011/12 Grant Claims and Returns Certification report (presented to Audit Committee on 11 April 2013).

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.

FEES	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing and council tax benefit subsidy	13,520	TBA *
National non domestic rates return	3,330	3,330
<b>TOTAL FEES</b>	<b>16,850</b>	<b>TBA *</b>

\* To be advised - we are in the process of agreeing the final fee with management and the Audit Commission

The outturn fee will be higher than the planned scale fee due to the significant additional work required on the housing and council tax benefits subsidy claim compared to the prior year. Our audit work found significant errors in administering benefit and calculating subsidy entitlement in 2012/13, which required additional work to be completed by management. The audited claim is due to be submitted to the Department of Work and Pensions (DWP) by 7 March 2014, some three months after the departmental deadline.

Between December 2013 and February 2014, the DWP withheld subsidy payments due to the Council amounting to £660,000. Based on our qualification letter, it is likely the DWP will adjust the Council's subsidy entitlement for the year, though a final decision is awaited on this matter.

# KEY FINDINGS

## Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?
Housing and council tax benefit subsidy	65,694,239	Yes	No
National non-domestic rates return	20,109,371	No	No

The housing and council tax benefit subsidy claim was certified with an extensive qualification letter. A final decision on the amount of subsidy to be paid to the Council for the 2012/13 is awaited.

## Detailed 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 II of this report on page 7.

Housing and council tax benefit subsidy	Findings and impact on claim
<p>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.</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. The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.</p>	<p>In line with the requirements of the grant paying department (the Department for Work and Pensions - the 'DWP') our work on the return has included:</p> <ul style="list-style-type: none"><li>• a review of the control environment surrounding the preparation of the claim form (which we concluded was satisfactory)</li><li>• detailed testing of a sample of cases (20 for each benefit type), to assess the accuracy of the information included in the claim.</li></ul> <p>As in prior years, Internal Audit has undertaken detailed testing of the initial required sample of benefit cases. The audit of 60 individual claimant files highlighted a number of errors made in administering benefit and calculating subsidy entitlement. The errors mainly involved the incorrect recording of information (such as the amount of claimant income; classification of expenditure and benefit overpayments).</p> <p>Where errors are not isolated, the Audit Commission requires that an additional sample of 40 cases should be selected for each identified error and reviewed for similar error attributes. The Council completed the additional work and reviewed over 300 additional cases covering all aspects of the claim.</p> <p>The Audit Commission requires auditors to re-perform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. We</p>

completed this review and we agreed with the Council's findings.

Five cases from the initial sample of 60 cases required information from the software supplier to resolve. As a consequence, our work on the claim was completed in March 2014, some three months after the Government's deadline of 30 November 2013.

Our audit certificate was qualified and we estimated the effect of the errors identified on the Council's entitlement to subsidy based on our extrapolation of audit test results. Our letter covered all of the benefit types awarded by the Council, as summarised below:

#### Non-HRA Rent Rebates:

- Four cases (combined error value £2,119) where the Council had incorrectly classified expenditure between Board and Lodging or non-self-contained accommodation and Short term leased or self-contained licensed accommodation
- One case (error value £74) where the Local Housing Allowance (LHA) rate used in the calculation of the benefit expenditure for Board and Lodging or non-self contained accommodation was in excess of that allowed under the regulations.
- Seven cases (combined error value £786) where the 'LHA' rate used in the calculation of the benefit expenditure for Board and Lodging or non-self contained accommodation was below that allowed under the regulations. Any adjustments arising from these errors will be made within the 2013/14 claim form.

#### Rent Allowance

- Three cases (combined error value £3) where the Council had incorrectly recorded the earned income associated with an individual claim, which resulted in errors in the calculation of benefit payable. For three of the cases the calculated benefit was underpaid and so amendments will be made within the 2013/14 claim form
- Five cases (combined net error value £48) where the value of benefit overpaid in the current year had been incorrectly classified between those assessed as LA error and those assessed as Eligible overpayments
- One case (error value £7) where the value of benefit overpaid in the prior year had been incorrectly classified between those that are considered LA error and those that are Eligible overpayments

#### Council Tax Benefit

- Three cases where the Council had incorrectly recorded the earned income associated with an individual claim, which resulted in errors in the calculation of benefit payable. In all cases the calculated claim was underpaid.
- Five cases (combined error value £6,270) where the value of benefit overpaid had been incorrectly allocated

- Eights cases where the Council did not award single person discount to individuals entitled to it. The Council undertook a significant amount of work to identify the reasons for the error and concluded it involved those cases ‘pass-ported’ under the Governments benefit regulations. A ‘sub-population’ of 365 cases was identified and the Council reviewed every case to assess the impact of the error. We reviewed the Council’s work and concluded its conclusion benefit amounting to £87,000 had been included in the grant claim in error was reasonable. We have included these details in our qualification letter. A final decision on this matter is awaited from the DWP.

Given the extent of errors found in both the initial sample and the additional testing completed, it is recommended the Council completes a review of the processes for administering benefit to ensure the accuracy of data recorded in the benefits system

We have requested that the Audit Commission determine an additional fee for the audit of the housing and council tax benefits claim. We will provide the Audit Committee with details of the final fee in due course.

#### National non-domestic rates return

The Council is a billing authority and as such 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.

#### Findings and impact on return

The certification of the National Non Domestic Rates return was completed satisfactorily and the claim was submitted as unqualified and without amendment.



# APPENDICES

## APPENDIX I: STATUS OF 2011/12 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
<p><b>Housing and Council Tax Benefit</b>                      The Council should take steps to ensure benefit entitlement is calculated accurately based on the information provided by claimants.</p>	High	The review of benefit operatives assessment work will continue based on the risk and complexity of individual claims.	Head of Benefits	Immediate	We have noted a further number of errors as part of the 2012/13 audit and have raised a recommendation in Appendix II

## APPENDIX II: 2012/13 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Our audit found errors in the administration of benefit involving:</p> <ul style="list-style-type: none"> <li>• 13 cases of Non-HRA benefit</li> <li>• Nine Rent allowance cases</li> <li>• 16 Council tax benefit cases.</li> </ul>	<p>The Council should complete a review of the processes for administering benefit to ensure the accuracy of data recorded in the benefits system.</p>	<p>High</p>	<p>The Council does undertake testing of claims to ensure accuracy of assessment. The level has been increased in 2013/14 and complete reviews of all claims processed in some categories have been undertaken for 2013/14. In addition a review of the revenues and benefits service and processes is being undertaken.</p>	<p>Revenues and Benefits Service Manage</p>	<p>Additional testing implemented Review of Revenues and Benefits - August 2014</p>



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 company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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