



# HASTINGS BOROUGH COUNCIL

AUDIT OF HOUSING BENEFIT SUBSIDY CLAIM

Year ended 31 March 2014

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# INTRODUCTION

## THE PURPOSE OF THIS REPORT

This report summarises the matters arising from the certification of the housing benefit subsidy claim for the financial year ended 31 March 2014. The subsidy claim is the only government return we were required to certify in the period as an agent of the Audit Commission. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Commission.

As in prior years, we applied the Certification Instruction (CI) issued by the Commission after its consultation with the Department for Work and pensions (DWP). After completion of the tests contained within the CI the subsidy claim can be certified with or without amendment or, where the correct amount cannot be determined, the claim is qualified based on the testing completed. Sample sizes used and the extent of audit procedures completed are prescribed by the Audit Commission.

The fee for certifying the subsidy claim was £11,792 and is the level recommended by the Audit Commission. Appendix I of this report (page 4) shows the Council's progress against the action plan following our audit of the 2012/13 claim. A further recommendation is contained at Appendix II.

The audit of the housing benefit claim is complex. In 2012/13 our audit was delayed and our certificate was given with an extensive qualification letter. While the 2013/14 claim was qualified, the scope and extent of errors found by our audit was reduced and the Government's deadline was met. The draft claim amounted to over £53 million and was amended to reduce the Council's entitlement to subsidy by only £270. The DWP will consider the impact of the extrapolation of errors and other issues highlighted in our qualification letter on the final amount of subsidy to be paid for the year.

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 audit.

# KEY FINDINGS

## Housing benefit subsidy

Local authorities responsible for managing housing benefit schemes are able to claim subsidy towards the cost of these benefits from central government. The final value of subsidy claimed by the Council for the financial year ended 31 March 2014 was £53.5 million and was notified to central government on form MPF720A.

Our work on the 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 (DWP). We have no discretion over how this methodology is applied.

Regardless of the value of error identified, the DWP requires auditors to consider extending the scope of testing. Additional work was therefore undertaken to assess the nature of errors and the possible impact on the value of benefit claimed.

We have made recommendations in response to the findings from this year's audit (see Appendix II).

## Findings and impact on claim

In planning our work, we concluded the control environment surrounding the preparation of the claim was satisfactory. However, regardless of the effectiveness of the control environment, the DWP requires us to undertake detailed testing of a sample of 20 benefit cases for each benefit type, due to the complexity of the claim and the significant expenditure involved.

As a result of our work, errors were found in calculating entitlement to benefit across certain claim types. The errors involved are shown overleaf:

Benefit type	Error type	Impact on entitlement to subsidy
Non-HRA rent rebates	Misclassification of benefit between type of property (should be rent allowances).	We reported in our qualification letter that based on extrapolation £6,816 should be removed from non-HRA rent rebate expenditure and included in rent allowances expenditure.
Non-HRA rent rebates - eligible overpayments	Misclassification of expenditure due to incorrect overpayment period	All eligible overpayment expenditure was reviewed. Further errors were found and expenditure of £60 was removed from the claim (the overall amount of eligible overpayments for non-HRA rent rebates amounted to only £5,195 in the draft claim)
Rent allowances	Overpayment of benefit because the incorrect rental liability was calculated.	We extrapolated the outcome of our testing and calculated the Council over-claimed subsidy of £4,770. We reported the outcome to the DWP in a qualification letter.
	Overpayment of benefit because incorrect overpayment period used.	Based on review of all such expenditure, further errors were found and £50 was removed from the claim.
	Incorrect date for transition to Employment Seekers Allowance (ESA) used	Benefit was underpaid. There is no entitlement to subsidy for underpaid benefit.
	Late processing of a rent officer determination	Benefit was underpaid. There is no entitlement to subsidy for underpaid benefit
Modified Schemes - Rent Allowances	Entitlement to enhanced disability premium was not applied	Our qualification letter stated expenditure of £745 should be transferred from modified schemes to rent allowances.



# APPENDICES

## APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
The Council should complete a review of the processes for administering benefit to ensure the accuracy of data recorded in the benefits system.	High	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.	Revenues and Benefits Manager	Immediate	The recommendation was implemented.

## APPENDIX II: 2013/14 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Our work on rent rebate cases found:</p> <ul style="list-style-type: none"> <li>Misclassification of benefit between type of property (should be rent allowances)</li> <li>Misclassification of expenditure due to incorrect overpayment period</li> </ul>	<p>The Council should ensure rent rebate expenditure is classified in accordance with the underlying evidence of property type provided by the claimant. Where overpayments are identified, these should be correctly classified.</p>	High	Agreed. Additional testing has already been introduced	Revenues and Benefits Manager Service	Immediately
<p>Our work on rent allowance cases found:</p> <ul style="list-style-type: none"> <li>Overpayment of benefit because the incorrect rental liability was calculated</li> <li>Overpayment of benefit because incorrect overpayment period used incorrectly calculated</li> <li>Incorrect date for transition to Employment Seekers Allowance (ESA) used</li> <li>Late processing of a rent officer determination</li> </ul>	<p>The Council should ensure rent allowance claims are calculated in accordance with the underlying evidence provided by the claimant.</p> <p>Rent officer determinations should be processed in a timely way.</p>	High	Agreed. Additional testing has already been introduced	Revenues and Benefits Service Manager	Immediately



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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