



EPPING FOREST DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2015

CONTENTS

| | |
|--|---|
| INTRODUCTION | 1 |
| KEY FINDINGS..... | 2 |
| APPENDIX I: STATUS OF 2013/14 RECOMMENDATIONS..... | 6 |
| APPENDIX II: 2014/15 ACTION PLAN..... | 7 |

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 2015.

We have completed our 2014/15 grant claim and return certification in relation to housing benefit subsidy 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. This work has been completed in accordance with the Statement of Responsibilities issued by the Audit Commission.

2014/15 is the final year that arrangements for certification have been the responsibility of the Audit Commission. From 2015/16, certification work will be completed in accordance with guidance issued by Public Sector Audit Appointments Ltd, which replaced the Audit Commission on 1 April 2015.

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 the return are prescribed by the Audit Commission.

Our work on the pooled housing capital receipts return is not part of the Audit Commission regime. This work is governed by a tri-partite agreement between the Council, the Department for Communities and Local Government and BDO. We act as a reporting accountant and provide an independent reasonable assurance conclusion as to whether the subject matter is in accordance with the relevant terms and conditions.

A summary of the fees charged for certification work for the year ended 31 March 2015 is shown to the right.

Appendix I of this report (page 6) shows the Council's progress against the action plan included in our 2013/14 Grant Claims and Returns Certification report (presented to the Audit and Governance Committee on 30 March 2015).

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 | 2014/15 | 2014/15 | 2013/14 |
|--|-----------------|-----------------|-----------------|
| | OUTTURN FEE (£) | PLANNED FEE (£) | OUTTURN FEE (£) |
| Housing benefit subsidy | 24,710 | 24,710 | 23,604 |
| Pooled housing capital receipts return | 2,000 | 2,000 | 1,280 |
| TOTAL FEES | 26,710 | 26,710 | 24,884 |

KEY FINDINGS

Summary of high level findings

| CLAIM OR RETURN | VALUE (£) | QUALIFIED? | AMENDED? | IMPACT OF AMENDMENTS (£) |
|--|------------|------------|----------|---|
| Housing benefit subsidy | 37,535,523 | Yes | Yes | 559 decrease in the amount payable to DWP |
| Pooled housing capital receipts return | 5,055,042 | No | Yes | 8 increase in the total housing capital receipts subject to pooling |

Detailed Findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2015. 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 claim |
|---|---|
| <p>Local authorities responsible for managing the housing benefit scheme 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 (DWP). We have no discretion over how this methodology is applied.</p> | <p>During our initial testing of a sample of cases, two errors were identified. In both instances, the Council's quality control procedures had highlighted and corrected these errors after the subsidy claim was produced but before we completed our testing. Therefore, no additional testing was performed in respect of these errors.</p> <p>The methodology specified by the Audit Commission requires us to consider our findings from the prior year. If there is insufficient evidence to demonstrate that the Council has taken adequate steps to address these errors, we perform additional testing in the current year to determine the potential impact on subsidy.</p> <p>This resulted in additional testing being undertaken in 2014/15 as described below.</p> <ul style="list-style-type: none">• Testing of 100% of the population of non-HRA rent rebate claims to confirm that ineligible meal costs have been correctly deducted• Testing of a sample of claims from the sub-population of rent rebate claims where the claimant is in receipt of private pension to confirm that private pension income has been correctly calculated |

- Testing of all rent allowance claims where the landlord levies a support charge to ensure that that the support charge has been correctly treated in the calculation of the weekly eligible rent
- Testing of 100% of the population of rent allowance cases which do not need to be referred to the rent officer to ensure that they had been correctly classified

The additional '40+' testing and 100% testing is required by the methodology agreed with the Department for Work and Pensions (DWP). For situations where errors are identified that cannot be concluded as isolated, we must carry out extended testing of an additional sample of 40 cases. Where there is a small population (less than 100) a 100% check is undertaken.

It should be noted that underpayments of benefit are not considered to be errors for subsidy purposes (as the Council cannot claim subsidy for benefit expenditure which has not been incurred). Therefore, where the nature of an error is such that it will only ever result in an underpayment of benefit, the methodology does not require us to complete any additional testing.

- **Non-HRA rent rebates ineligible meal costs:** Testing of 100% of the population of non-HRA rent rebate claims identified one case where ineligible meal costs had been incorrectly included in the calculation of eligible rent (error of £57). The affected case was corrected and this will be reflected in the 2015/16 subsidy return. Therefore no adjustment was made to the 2014/15 subsidy return and the matter was reported in our qualification letter.
- **Rent rebates private pension income:** Testing of a sample of claims from the sub-population of rent rebate claims where the claimant is in receipt of private pension identified two cases where benefit had been overpaid because private pension income had not been correctly calculated (error of £182). This matter was reported in our qualification letter.

The Capita system reconciliation was carried out, but there were unreconciled differences of £128 in relation to Rent Rebates and £6,782 in relation to Rent Allowances. Our testing also identified that there were differences between the headline cells and in-year reconciliation cells for rent rebates and rent allowances of £93 and £133 respectively. These matters were reported in our qualification letter.

We also identified that the DWP overpayments (which the Council enter into the form manually) were incorrectly input. These were amended in the final version of the claim form.

Pooling of housing capital receipts

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 Council is required to obtain, from a reporting accountant, an independent reasonable assurance conclusion over the total housing capital receipts subject to pooling.

Findings and impact on return

Our work on the pooling of housing capital receipts is complete and we have agreed the required amendments with officers. However, at the time of drafting this report, it has not been possible to process these amendments on the Logasnet system. We will continue to work with the officers to address this issue and will provide an update to members once we have issued our assurance statement.

One issue was identified in relation to the recording of quarterly amounts arising from the disposals of dwellings which took place before 1 April 2012 under Right to Buy. These amounts were inconsistent with the prime documentation provided by officers, primarily due to amounts being recognised in the wrong quarter on the form. One amount was also recognised at the incorrect value, resulting in the £8 adjustment reflected in the table above.



APPENDICES

APPENDIX I: STATUS OF 2013/14 RECOMMENDATIONS

| HOUSING AND COUNCIL TAX BENEFIT SUBSIDY | | | | | | |
|--|----------|--|----------------------------------|--------------------------------|--|--|
| RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING | PROGRESS | |
| Undertake independent review of subsidy return prior to submission to ensure that manual adjustments have applied correctly. | Medium | Agreed | Assistant Director (Accountancy) | Production of 2014/15 return | Our testing identified that DWP error overpayments had been input incorrectly. This recommendation as therefore been raised again in 2014/15. | |
| Carry out refresher training for staff that specifically covers the correct treatment of rent liability, eligible rent and tax credits. Retain documentation to demonstrate training has been delivered. | Medium | Rent liability training has been undertaken and guidance issued on tenancy types. Further refresher training will be undertaken in March 2015. All Regulated tenancies are now regularly checked. Tax Credits are now taken from ATLAS which has eliminated the errors with amounts and dates, plus ATLAS training notes have been issued. Checking of claims for accuracy will continue and any errors will continue to be discussed with the individual staff members. | Benefits Manager | Throughout 2014/15 and ongoing | Our initial testing identified two errors, both of which were identified by the Council's quality control procedures prior to commencement of our testing. This is reduction on the number of errors identified in the prior year. | |
| POOLING OF HOUSING CAPITAL RECEIPTS | | | | | | |
| RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING | PROGRESS | |
| Review instructions for completing the return to ensure all relevant amounts are included prior to submission. | Medium | Agreed | Assistant Director (Accountancy) | Production of 2014/15 return | Implemented. Instructions are now reviewed prior to completion of the quarterly returns. Our testing did not identify any errors arising from the omission of relevant amounts. | |
| Contact DCLG to discuss the errors identified and establish whether or not these can be adjusted to ensure the correct values are carried forward to the following years form. | Medium | Agreed | Assistant Director (Accountancy) | March 2015 | The correct figures have been ascertained. Officers have confirmed that DCLG are yet to be contacted to confirm the action that now needs to be taken. | |

APPENDIX II: 2014/15 ACTION PLAN

| HOUSING AND COUNCIL TAX BENEFIT SUBSIDY | | | | | |
|--|---|----------|--|---------------------------------|---------------------------------|
| CONCLUSIONS FROM WORK | RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING |
| During production of the 2014/15 return, manual adjustments to totals on the return were made incorrectly. | Undertake independent review of subsidy return prior to submission to ensure that manual adjustments have been applied correctly. | Medium | Agreed - Review of return to be carried out by one of the other Principal Accountants or Assistant Director of Resources | Assistant Director of Resources | Production of 15/16 claim |
| Pooling of housing capital receipts | | | | | |
| CONCLUSIONS FROM WORK | RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING |
| Quarterly amounts arising from the disposals of dwellings which took place before 1 April 2012 under Right to Buy were recorded in the wrong quarter on the Logasnet return. | Review quarterly amounts input into the form prior to submission of the final return to ensure they are consistent with supporting documentation maintained by the Council. | Medium | Agreed - Review of return to be carried out by one of the other Principal Accountants or Assistant Director of Resources | Assistant Director of Resources | Production of Q4 pooling return |

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.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO LLP is separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2016 BDO LLP. All rights reserved.

www.bdo.co.uk