



# EPHING FOREST DISTRICT COUNCIL

## GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2016



# CONTENTS

INTRODUCTION	3
KEY FINDINGS	4
DETAILED FINDINGS	5
APPENDIX I: STATUS OF 2014/15 RECOMMENDATIONS	8
APPENDIX II: 2015/16 ACTION PLAN	9

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# INTRODUCTION

## Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

### Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

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.

### Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant Departments, of the Pooling of housing capital receipts return for the year ended 31 March 2016.

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 our certification work.

## Fees

We reported our original fee proposals in our Audit Plan. The planned fee for the certification of the housing benefits subsidy claim was subject to finalisation by PSAA at the date our Audit Plan was drafted. The final fee below reflects the scale fee subsequently confirmed by PSAA.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
<b>PSAA regime</b>		
Housing benefits subsidy claim	18,533	17,691
<b>Total PSAA regime fees</b>	<b>18,533</b>	<b>17,691</b>

<b>Other certification work</b>		
Pooling of housing capital receipts return	2,000	2,000

<b>Total certification fees</b>	<b>20,533</b>	<b>19,691</b>
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## KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix II of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	£37,136,299	YES	NO	N/A
Pooling of housing capital receipts	£3,178,537	NO	YES	£0

### HOUSING BENEFIT SUBSIDY

Local authorities responsible for managing housing benefit 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.

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 PSAA and DWP. We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £37,136,299. No amendment was made to the draft claim.

### FINDINGS AND IMPACT ON RETURN

Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement.

Guidance requires auditors to undertake extended 40+ testing if initial testing identified 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.

This resulted in 2 areas of 40+ testing, 1 area of additional testing.

PSAA's methodology requires auditors to reperform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. We were able to rely on the conclusions drawn by the Council.

Our work was completed and the claim was certified on the Government's deadline of 30 November 2016. Our audit certification was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations) in a letter to the Department of Work and Pensions. The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year.

A summary of our audit findings can be found on the next page.

## DETAILED FINDINGS

Benefit type	Nature of error	Impact on subsidy return
Benefit software: reconciliation of benefit granted to benefit paid	<p>The Council uses benefit software supplied by Capita. The software supplier provides a method for the Council to reconcile benefit granted per the benefit software to benefit paid per the benefit software. The reconciliation resulted in a difference of £102.95 against cell 055 which could not be explained by the Council and was, therefore, not investigated further.</p> <p>Completion of the internal validation element of the reconciliation identified an imbalance for private tenants of £0.52. This difference could not be explained by the Council and was, therefore, not investigated further.</p> <p>The entry in the 'in-year reconciliation' cell for rent rebates, rent allowances do not agree with the corresponding total expenditure cell and there are £1 differences in RR and RA which is likely to be due to rounding</p>	<p>These matters had no impact on the subsidy return but were reported in our qualification letter.</p>
Rent Rebates	<p>In our initial sample of 20 rent rebate cases we identified one claim where earned income used in the benefit assessment had been calculated incorrectly.</p>	<p>The error identified in the initial sample resulted in an overstatement of subsidy of £0.54. We also identified an understatement of eligible overpayments of £0.04.</p> <p>We completed 40+ testing in respect of this error and identified two further claims where earned income had been incorrectly calculated.</p> <ul style="list-style-type: none"> <li>• In the first claim, this resulted in an underpayment and there was no impact on subsidy.</li> <li>• In the second claim, there was no impact on subsidy as the claimant's income (after correcting for the error identified) was below the threshold above which earned income reduces the amount of housing benefit received.</li> </ul> <p>In accordance with the methodology prescribed by PSAA and DWP, we extrapolated the errors identified in the initial sample across the corresponding sub populations. We reported the resulting £12 overstatement of subsidy and £1 understatement of eligible overpayments in our qualification letter.</p>

## DETAILED FINDINGS

### 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.

DCLG requires that this return is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide a reasonable assurance report.

### FINDINGS AND IMPACT ON RETURN

We identified that amounts included in the draft return submitted for audit in respect of mortgage receipts relating to right to buy properties were incorrectly analysed between quarters. The total amount recognised was correct. This was amended in the final version of the return.

## APPENDICES

## APPENDIX I: STATUS OF 2014/15 RECOMMENDATIONS

RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING	PROGRESS	STATUS
<p><b><u>Housing Benefits</u></b></p> <p>Undertake independent review of subsidy return prior to submission to ensure that manual adjustments have been applied correctly.</p>	Medium	Assistant Director of Resources	Production of 2015/16 claim	Our certification work has not identified any incorrect manual adjustments to the 2015/16 subsidy return.	Closed
<p><b><u>Pooling of capital receipts</u></b></p> <p>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.</p>	Medium	Assistant Director of Resources	Production of Q4 pooling return	<p>We have identified the same issue during our work on the 2015/16 pooling of capital receipts claim.</p> <p>This recommendation has been raised again in 2015/16.</p>	Open



## APPENDIX II: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<b><u>Housing Benefit</u></b> We identified errors in the calculation of earned income.	Provide refresher training to all benefits assessors to ensure they are aware of how earned income should be calculated in accordance with the regulations.	Medium	Agreed - refresher training and advice will be provided.	Benefits Manager	June 2017
<b><u>Pooling of capital receipts</u></b> 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.	Assistant Director of Resources	Production of Q4 return.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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