

Epping Forest District Council

**Grant Claim Certification for the
year ended 31 March 2011**

February 2012

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body with reference to the separate Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

[Statement of Responsibilities of Auditors and Audited Bodies](#)

[Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns](#)

1 Introduction

- 1.1 This report summarises the main issues arising from the certification of grant claims for the financial year ending 31 March 2011. We undertake grant claim 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.
- 1.2 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 methodology for this work are prescribed by the Audit Commission.

2 Summary of certification

- 2.1 The table below identifies the certification status of the grant claims audited for the year ending 31 March 2011.

Claim	Value of claim £	Qualified/ Unqualified	Number of amendments	Impact of amendments on subsidy £
Pooling of housing capital receipts	738,601	Unqualified	1	14
Housing and council tax benefit subsidy	43,570,316	Qualified	12	1,377
Disabled facilities grant	290,000	Unqualified	0	0
National non domestic rates return	27,625,258	Unqualified	1	1,000
Housing Revenue Account subsidy (2010/11)	9,931,411	Unqualified	1	0
Housing Revenue Account subsidy base data return (2012/13)	N/A*	Qualified	6	N/A*
Total for 2010/11	82,155,586	2 Qualified	21	2,391
Total for 2009/10	83,046,599	2 Qualified	29	121,074

*N/A because this claim does not give rise to grant payment, it certifies property numbers upon which subsidy for future years is calculated and no associated monetary value is recorded in the claim.

Grants risk assessment

- 2.2 Our risk assessment concluded that overall, taking into account known historical problems, there is a medium risk of grant claims and returns submitted for audit not being in compliance with the CI prescribed by the Audit Commission and the grant paying body.

- 2.3 Historically the Council produces more accurate draft claims where the transactions included within the claims are low volume or not complex in nature and/or where there is consistency of preparation by a named individual member of staff. The two claims qualified this year are the same two claims that were qualified in the previous year, for similar reasons, as set out in the detailed findings section of this report.
- 2.4 Further improvement to the accuracy of draft claims submitted for audit could be achieved through strengthening the overall claims preparation control environment. Although senior staff have implemented some essential control environment checks the nature of the errors identified as a result of audit work suggests that these are not as effective as they could be. Further recommendations have been made at Appendix B.

Detailed findings

- 2.5 There were no matters arising from the audit of the disabled facilities grant claim. The remaining five grant claims all had amendments made before final certification. Although this is not as good as the previous year the financial impact of amendments on subsidy has significantly reduced in the year.
- 2.6 Two of the six claims audited, the Housing and Council Tax Benefit Subsidy and the HRA Subsidy Base Data Return 2012/13, were qualified due to issues relating to non compliance with the CI and, therefore, the requirements of the grant paying body.

Pooling of housing capital receipts claim

- 2.7 The adjustments made to this claim related to a late payment interest charge for quarter 1 which had not been included on the original grant claim.
- 2.8 In accordance with CI CFB06, the Council should have included these costs within line 12 of the claim therefore an amendment had to be made.

Housing and council tax benefit subsidy claim

- 2.9 The audit of the Housing and Council Tax Benefit Subsidy claim was smoother than previous years. In addition, a greater proportion of the necessary "40+" testing (an additional sample of 40 must be tested where non isolated errors are found in the original sample) was completed initially by senior benefit team staff, which facilitated a reduction in audit inputs and a more efficient audit despite there being more "40+" testing required than in previous years (10 additional 40+ samples for 2010/11 compared to 5 for 2009/10).
- 2.10 The Academy system reconciliation was attempted in May, prior to submission of the draft claim, but there were unreconciled differences. Despite further work being completed to try to resolve them there remained two unreconciled differences of £63.44 and £456.75, which were reported within the qualification letter.
- 2.11 As with the prior year, there were a number of amendments made to the Housing and Council Tax Benefit Subsidy claim.
- 2.12 In 2009/10, a number of amendments were made to cells relating to non-HRA cases, as a result of misclassification of HRA Rent Rebate cases as non-HRA Rent Rebate cases. These amendments were processed through the benefits system in 2010/11; however, the claim form needed manual adjustments to take account of amendments which had already been carried out in the previous year. These amendments were not processed in the original claim form but were amended as a result of the audit.
- 2.13 The Council undertook a review of all non-HRA Rent Rebate cases at the beginning of the year to ensure that there was no further misclassification of HRA Rent Rebate as non-HRA Rent Rebate cases. As part of our testing we identified one case, which arose during the year and so was not captured by the Council's initial checks, which should have been classified as HRA Rent Rebate rather than non-HRA Rent Rebate. Additional testing did not identify any other issues therefore this case was treated as an isolated error.

- 2.14 An amendment was made for Council Tax prior year overpayments which were incorrectly classified as current year overpayments. Where the Council had investigated a prior year overpayment on the system in the year, and then subsequently processed an amendment on the claim at a later date, the system was incorrectly categorising the overpayment as current year. All prior year overpayments included within the relevant current year overpayment cell were reviewed to ensure they had been correctly categorised. This resulted in an amendment to the claim which we tested and were satisfied with.
- 2.15 A number of errors were identified during the course of the baseline testing of 87 benefit cases. This necessitated testing of six additional "40+" samples in addition to the areas discussed above.
- 2.16 By agreement, the testing on the additional sample of cases selected for "40+" testing was completed by both the Council's own staff and by PKF staff in a combination designed to achieve the maximum efficiency in the time available.
- 2.17 We reviewed the work carried out by the Council's own staff and completed re-performance testing on a sample of the cases in order to confirm that it was appropriate for us to place reliance on that testing. Our re-performance testing found that we did not concur with the conclusion drawn on one case in a sample of eight re-performed in respect of checking the accuracy of Council tax eligible overpayments. This necessitated re-performance of the remaining 32 cases. We identified one additional case which the conclusions drawn differed to our own. As a result of the errors identified we re-performed a greater number of cases on the areas of "40+" testing carried out by the specific officer. All other testing was satisfactory and we were able to rely on the remaining work completed by the Council in forming and reporting our conclusions.
- 2.18 In addition to the amendments made to correct quantifiable errors the claim was qualified, primarily due to:
- Misclassification of eligible overpayments in the Rent Rebate, Rent Allowance and Council Tax benefit types. Misclassification of overpayments was also a cause of qualification in the last two years.
 - The rent liability for Rent Allowance cases not being correctly applied resulting in claimants being overpaid housing benefit. This was because changes in rent liabilities were not correctly input for the year under audit.

Housing Revenue Account (HRA) subsidy

- 2.19 The Council applied to the Secretary of State for approval to transfer a number of shops from the HRA to the General Fund as at 31 March 2011. In June 2011, the Council received approval from the Secretary of State to transfer these properties accordingly; however, this did not retrospectively apply for grant purposes where a dwelling was attached to a shop. The Council had a total of 30 properties where a dwelling was attached to a shop. This affected the Capital Financing Requirement (CFR) calculation and had the potential to impact upon the claim.
- 2.20 We reviewed a sample of leases to confirm that the dwellings were included within the same lease as the shop, and therefore, under right to buy legislation, were correct not to be transferred as a separate entity. This impacted on the CFR calculation as dwellings attached to shops are classed as "other" property and therefore attract a transfer rate of 50% rather than 75%. No issues were identified from this work. However the Council had included an incorrect transfer amount when calculating the mid year CFR position as this included all properties when the dwellings should have been transferred after the year end and, therefore, have been accounted for within the 2011/12 CFR calculation. This resulted in an amendment to the grant claim.

HRA subsidy base data return

- 2.21 As in the previous two years, we were unable to evidence that council dwellings are classified in accordance with the requirements of CI HOU02 because the Council does not hold comprehensive survey records or detailed property holding records.
- 2.22 Issues identified in the previous audits in relation to the recording of internal floor area, a property's age, the total number of storeys within a block of flats and the categorising of properties between traditional and non-traditional had not been addressed and therefore remained a qualification issue this year.
- 2.23 As in the prior year, the average actual weekly rent per dwelling in 2011/12 had been incorrectly calculated. This was corrected in the final claim.
- 2.24 In addition, the value of property which ceased to be accounted for in the HRA had been misstated due to the transfer of the shops with dwellings attached now being included within the 2011/12 CFR calculation. This also impacted on the closing CFR position as at the end of 2011/12. These errors were corrected in the final claim.
- 2.25 As a consequence of the issues identified above, a qualification letter was issued in respect of the HRA subsidy base data return (2012/13).

National Non-Domestic rates

- 2.26 The adjustments made to this claim related to the amount included within Losses on Collection within the original grant claim. The Council had input the incorrect figure by £1,000 within the cell on the grant claim despite having correctly calculated the figure.

3 Fees charged

3.1 The fees charged for each grant claim audited for the year ending 31 March 2011 were as follows:

Claim	Fee for the year ended 31 March 2011	Fee for the year ended 31 March 2010
Pooling of housing capital receipts	2,098	3,570
Housing and council tax benefit subsidy	46,175	49,605
Disabled facilities grant	1,110	1,190
National non domestic rates return	4,768	4,933
HRA subsidy (2010/11)	4,940	2,507
HRA subsidy base data return (2012/13)	3,580	4,166
Overall grants control environment risk assessment	1,005	983
Grants report	765	765
Housing and council tax benefit subsidy 2009/10 Follow Up (requested by the DWP)	3,755	2,275
TOTAL	68,196	69,994

3.2 The fee increase in respect of the HRA subsidy claim was as a result of the additional work required to ensure the Council had appropriately accounted for the transfer of properties between the HRA and the General Fund within the relevant grant claims, as set out in section 2 of this report.

3.3 The Housing and Council Tax Benefit Subsidy follow up work is the fee in respect of follow up queries raised by the DWP and additional audit input requested by them in response to our qualification letter of the prior year.

3.4 This grants report and the overall grants control environment risk assessment were mandated by the Audit Commission, as a result of their *Review of Arrangements for Certifying Claims and Returns*, to raise the importance and profile of certification work and improve the standards of claims and returns prepared.

4 Conclusions

4.1 There is still scope for the Council to improve its overall control environment arrangements for the preparation of grant claims and supporting working papers for audit.

4.2 A number of the recommendations we made last year cannot be evidenced as fully implemented. Where improvements have not been made this has been highlighted in Appendix A and re-iterated within Appendix B.

4.3 We have included this year's recommendations in a detailed Action Plan at Appendix B, which has been agreed with officers.

Appendix A – Progress against prior year recommendations

Recommendations	Priority	Management response	Responsibility	Timing	Progress
Overall control environment					
<p>1. Assign responsibility to a senior member of staff for completing and recording independent, centralised checks on all claims prepared, which ensure that for each claim the following can be evidenced:</p> <p>a. Completion of a pre-audit analytical review of the draft claim, that compares it to the prior year's claim and the knowledge and expectations of the officer responsible for preparing the claim, aimed at identifying and following up on areas of potential inaccuracy.</p> <p>b. Completion of internal test checks of small samples of claim entries in areas where known errors or qualification issues have been reported in prior years.</p> <p>c. A documented cross check of the claim's terms and condition and guidance for completing the claim form to the claim's supporting working papers, to demonstrate that all conditions have been applied complied with and all guidance has been taken into account during the claim's preparation.</p>	High	The recommendations are agreed. A system will be put in place so that each Principal Accountant will complete the checks for all claims prepared by the other Principal Accountant's team. This should ensure an objective review and challenge by someone independent of the claim's preparation.	Assistant Director of Finance & ICT (Accountancy)	May 2011	<p>a. Carry forward</p> <p>An analytical review was carried out for the Housing and Council tax benefits claim however this was not carried out for all grant claims. This should form part of the Councils preparation process to identify variances which require investigation. This will therefore be re-iterated within Appendix B.</p> <p>b. Implemented</p> <p>The main issues were identified within the Housing and Council tax benefits grant claim, we are aware that checks for certain cells were carried out where issues were raised in previous years. The remaining claims do not give rise to significant issues therefore sample checking is not considered appropriate.</p> <p>c. Carry forward</p> <p>This is carried out but not evidenced. There were a couple of small errors on the Housing Capital Pooled Receipts claim and the National Non-Domestic Rates claim which could have been identified pre audit if checks had taken place therefore this will be carried forward in Appendix B.</p>

Recommendations	Priority	Management response	Responsibility	Timing	Progress
2. Provide challenge and/or request follow up of any areas where the results of checks indicate there is greater risk of error being present in the draft claim.	High	As above	Assistant Director of Finance & ICT (Accountancy)	May 2011	Implemented This was only carried out for the Housing and Council tax benefit claim due to the complexity of the grant claim. The benefits claim was run a number of times before the draft claim was submitted due to the challenges raised. The total numbers of errors identified were less than the prior year as detailed in paragraph 2.1 above.
Housing and council tax benefit subsidy					
3. Review the results of cases identified where excess benefit is classified incorrectly, both from audit reviews and any internal accuracy checks completed, to identify trends both by staff member and common error types.	High	This is currently being carried out and any subsidy misclassification is recorded on the accuracy spread sheet. Trends are identified and appropriate training provided.	Assistant Director of Finance & ICT (Benefits)	January 2011	Carry forward A similar number of misclassification issues were identified again this year indicating that weaknesses remain. This recommendation has been re-iterated and expanded within the current year action plan at Appendix B.
4. Provide targeted training on the classification of excess benefit to address common mistakes made and identified skills gaps among processing staff. In particular, the classification of eligible excess Council Tax overpayments arising after a claimant's death.	High	All staff have been advised on the correct process for cancelling CTB following death and specific individual training has been provided to address other common errors such as backdating.	Assistant Director of Finance & ICT (Benefits)	January 2011	Carry forward Training was provided in year to specific staff members. Information was also provided in local benefits newsletters however a number of misclassification issues were identified again this year indicating that weaknesses remain. This recommendation has been re-iterated at Appendix B.

Recommendations	Priority	Management response	Responsibility	Timing	Progress
5. Perform targeted test checks on cells with known prior year errors to ensure those errors are not repeated in the current year.	High	This is being carried out throughout the current year with 100% checking on some cells.	Assistant Director of Finance & ICT (Benefits)	May 2011	Implemented The Council completed checks on cells where there had been anomalies in previous years. These checks had been formalised and allowed us to review the checks undertaken as part of our risk assessment process.
6. Undertake a senior officer cell by cell comparison of the draft claim form to the prior year's claim form and challenge/investigate any significant unanticipated increases or decreases between years.	High	Comparisons are currently carried out but not formalised. Formal comparisons will be carried out.	Assistant Director of Finance & ICT (Benefits)	May 2011	Implemented A cell by cell comparison was carried out by the Council which allowed them to identify specific cells which required additional checks. The level of explanations provided in relation to the analytical reviews had improved and supporting documentation was provided on request. This should be continued going forward.
7. Implement a formal procedure whereby the Benefits Department sends a formal memo to the Council Tax Department to inform them when it appears from the information provided for the benefit claim that a Single Person Discount should apply on an account. These should be followed up on a weekly basis to ensure that the discount has been applied.	High	Either the recommended formal memo or an email is already sent to Revenues when it is identified that a Single Person Discount should be granted. Meetings have taken place between Benefits and Revenues with a view to improving liaison. Benefit Officers will in future have permissions to grant the SPD in the straightforward cases as part of the assessment process, thereby eliminating the need for a memo and follow up checks.	Assistant Directors of Finance & ICT (Benefits and Revenues)	January 2011	Implemented The process for amending SPD has been updated; the benefits team can update new claimants within the Council tax system where SPD should be applied. Where amendments are required, the benefits team are still required to send memos through to the Council tax team before amending the information on the system. It was evident from our testing that these procedures are effective as no errors identified where Single Persons Discount had incorrectly been applied.

Recommendations	Priority	Management response	Responsibility	Timing	Progress
8. Arrange and conduct weekly meetings between the Assistant Directors of Finance & ICT (Accountancy and Benefits) and the senior audit team members during the course of the audit to facilitate the smooth running of the audit and the prompt resolution of queries. This will also aid with the communication across departments at the Council.	High	Meetings can be arranged but this will be dependant upon the audit team senior advising in advance when they will be on site on a weekly basis. Weekly meetings may not be appropriate if the audit is spread over an extended period with variable staffing.	Assistant Directors of Finance & ICT (Benefits and Revenues) Supervisor, PKF	June 2011	Implemented Meetings were held before the audit began and during the course of the audit. The assistance provided by the benefits team during the audit increased efficiency.
9. Complete the reconciliation of housing and council tax benefits as part of the claim compilation process during May, using the spread sheet methodology provided by Capita for the Academy system.	High	Recommended Academy spread sheet will be completed.	Assistant Directors of Finance & ICT (Benefits and Revenues)	May 2011	Implemented This was attempted in May before the draft claim was submitted but there was also an un-reconciled difference on both HRA Rent Rebate and Council Tax expenditure. The Council obtained explanations for some of the differences but not all of them as some of the issues were systems issues which we raised with Capita.
Pooling of housing capital receipts					
10. Review the administrative costs that are included within the claim and ensure that all of the costs are allowable by the Certification Instruction and that actual costs are used where possible.	Medium	This is regularly reviewed to ensure only the cost associated with this claim is claimed for. Actual costs are used whenever possible.	Assistant Director of Finance & ICT (Accountancy)	April 2011	Implemented We did not identify any issues with administrative costs as a result of our audit work.

Recommendations	Priority	Management response	Responsibility	Timing	Progress
11. Review the costs of expenditure on improvements and ensure that they are incurred less than three years prior to the dwelling disposal and that supporting documentation is available to verify the costs.	Medium	Agreed, only costs incurred within the last three years will be included. Inability to provide supporting documentation was an isolated case and generally the evidence supporting these costs is available.	Assistant Director of Finance & ICT (Accountancy)	April 2011	Implemented We did not identify any issues with expenditure on improvement as a result of our audit work.
Housing subsidy base data return (HOU02)					
12. Reconcile the non-traditional properties included in the claim to the records of non-traditional properties held by the Housing Assets Manager to ensure that the split is correct.	Medium	Agreed, this work is being undertaken by the Housing Directorate.	Assistant Director of Housing (Property)	April 2012	Carry forward This is work in progress and the timing is not until April 2012 however, this will be reiterated within the action plan at Appendix B.

Appendix B – Action plan

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
Overall control environment					
<p>Our risk assessment concluded that, overall, there is a medium risk of grant claims and returns submitted for audit not being in compliance with the CI prescribed by the Audit Commission and the grant paying body.</p> <p>A number of small amendments were required to grant claims in the year. The accuracy of these claims could be improved through better centralised checks made by a senior officer.</p>	<ol style="list-style-type: none"> 1. Completion of a pre-audit analytical review of the draft claim, that compares it to the prior year's claim and the knowledge and expectations of the officer responsible for preparing the claim, aimed at identifying and following up on areas of potential inaccuracy. 2. Perform a documented cross check of the claim's terms and condition and guidance for completing the claim form to the claim's supporting working papers, to demonstrate that all conditions have been applied complied with and all guidance has been taken into account during the claim's preparation. 	High	1. & 2. Agreed	Assistant Director of Finance & ICT (Accountancy)	May 2012
Housing and council tax benefit subsidy					
Eligible overpayments continue to be misclassified between types, resulting in misstatement of subsidy claimed.	<ol style="list-style-type: none"> 3. Provide targeted training on the classification of excess benefit to address common mistakes made and identified skills gaps among processing staff. In particular, the classification of eligible excess Council Tax overpayments. 	High	Agreed - Training is an ongoing process for assessment staff.	Assistant Director of Finance & ICT (Benefits)	Ongoing

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
A few errors were identified as a result of the accuracy of input data (e.g. rent liabilities, disregards). This resulted in underpayments and single amendments required to the claim.	4. Perform 5% (minimum) checks on new and amended to claims to ensure that claims are being processed accurately.	High	Agreed – senior officers have been reminded of the importance of carrying out these checks.	Assistant Director of Finance & ICT (Benefits)	Ongoing
Housing subsidy base data return (HOU02)					
Misclassifications were identified between traditional and non-traditional properties.	5. Reconcile the non-traditional properties included in the claim to the records of non-traditional properties held by the Housing Assets Manager to ensure that the split is correct.	Medium	Agreed, this work is being undertaken by the Housing Directorate.	Assistant Director of Housing (Property)	April 2012