



EPPING FOREST DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014

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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 2014.

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 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 all grant claims are prescribed by the Audit Commission.

A summary of the fees charged for certification work for the year ended 31 March 2014 is shown to the right.

Appendix I of this report (page 6) shows the Council's progress against the action plan included in our 2012/13 Grant Claims and Returns Certification report (presented to the Audit and Governance Committee on 6 February 2014).

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 benefit subsidy | 23,604 | 23,604 |
| Pooled housing capital receipts return | 1,280 | 1,280 |
| TOTAL FEES | 24,884 | 24,884 |

KEY FINDINGS

Summary of high level findings

| CLAIM OR RETURN | VALUE (£) | QUALIFIED? | AMENDED? | IMPACT OF AMENDMENTS (£) |
|--|------------|------------|----------|---|
| Housing benefit subsidy | 38,418,203 | Yes | Yes | 6,644 increase in the amount payable to DWP |
| Pooled housing capital receipts return | 5,819,730 | No | Yes | No impact |

Detailed Findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2014. 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, five errors were identified. These resulted in additional testing, as described below.</p> <p>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.</p> <p>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.</p> <ul style="list-style-type: none">• Non-HRA rent rebates ineligible meal costs: Testing of the initial sample of six cases identified one case where ineligible meal costs had been incorrectly included in the calculation of eligible rent (error of £2). As the population was small, all cases in the remaining population were tested. No further errors were identified. The affected case |

was corrected and this will be reflected in the 2014/15 subsidy return. Therefore no adjustment was made to the 2013/14 subsidy return and the matter was reported in our qualification letter.

- **Rent rebates private pension income:** Testing of the initial sample of twenty cases identified one case where benefit had been underpaid because private pension income had not been correctly calculated. Given the nature of the population and the error identified, testing of an additional 40 cases was undertaken. This identified a further two claims where private pension income had been calculated incorrectly also resulting in an underpayment of benefit. This matter was reported in our qualification letter.
- **Rent Allowances ineligible support charges:** Testing of the initial sample of twenty cases identified one case where benefit had been underpaid due to a support charge being incorrectly deducted from the weekly eligible rent. The remaining sub-population was tested, identifying two further errors where benefit was overpaid because a support charge which should have been deducted was not (total error £547). The Council have corrected the affected claims and the associated overpayments will be reflected in the 2014/15 subsidy claim. Therefore no adjustment was made to the 2013/14 subsidy return and this matter was reported in our qualification letter.
- **Rent allowances misclassification of benefit expenditure:** Testing of the additional random sample of 40 cases selected to address the issue identified in relation to support charges (as described above) also identified one case where non-HRA rent rebate expenditure had been incorrectly classified as rent allowance expenditure (total error of £3,506). All cases in the remaining population of the relevant cell have been tested to confirm whether or not there are any further instances of misclassification. One further misclassification was identified (total error of £2,256). The Council have corrected the affected claims and the adjustment will be reflected in the 2014/15 subsidy claim. Therefore no adjustment was made to the 2013/14 subsidy return and this matter was reported in our qualification letter.
- **Rent allowances incorrect classification of regulated tenancies:** Testing of the initial sample of 20 cases identified two cases where benefit expenditure relating to deregulated tenancies has been incorrectly classified as benefit expenditure relating to regulated tenancies. The affected sub- population was tested to establish whether there were any further cases which have been misclassified. This identified a further nine cases where the claim has been incorrectly classified as a regulated tenancy. This error has no impact on the subsidy received by the Council. This matter was reported in our qualification letter.

The Capita system reconciliation was carried out, but there were unreconciled differences of

Housing benefit subsidy

Findings and impact on claim

£96 in relation to Rent Rebates. This was reported in our qualification letter.

As part of the subsidy return compilation process, the Council make adjustments to some totals on the subsidy return to address known issues with the subsidy reports generated by the system. During production of the 2013/14 return, two of these adjustments were made incorrectly (resulting in the Council over-claiming subsidy of £6,644). The final version of the claim has been amended for these errors.

Pooling of housing capital receipts

Findings and impact on return

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 information in these returns is subject to certification on an annual basis.

One issue was identified relating to the omission of new-build expenditure incurred during 2012/13 which required reporting in the 2013/14 return. The return was amended for this omission. This is a memorandum cell only and there is no impact on the value of the return.

Discussions with the Council during the course of our work identified errors in cells on the form that are not covered by our certificate. These amounts relate to the available buy back allowance. As they are outside the scope of our certificate we have not undertaken any further work. However, we have raised a recommendation regarding this matter (see Appendix II on page 7) as there may be an impact on future returns.



APPENDICES

APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

| HOUSING AND COUNCIL TAX BENEFIT SUBSIDY | | | | | |
|---|----------|--|--|------------|--|
| RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING | PROGRESS |
| Investigate any differences arising from completion of the subsidy reconciliation prior to claim submission. | Medium | The timescale to submit the claim is very tight. Within the time available, all significant variances will be investigated. Given the amount of expenditure and the size of the caseload, a reconciliation to the last penny will not always be a good use of resources. | Assistant Director of Finance & ICT (Benefits) | April 2014 | The 2013/14 subsidy reconciliation process has identified one difference of £96. As per Management's response to the recommendation, this was not considered significant when compared to the overall level of expenditure so has not been investigated further. |
| Carry out refresher training for staff that specifically covers the correct treatment of rent liability, eligible rent and tax credits. | Medium | Agreed | Assistant Director of Finance & ICT (Benefits) | April 2014 | Management have been unable to provide evidence to demonstrate that refresher training has been undertaken. This recommendation has been rolled forward to the 2013/14 action plan to reflect issues identified in the current year. |

APPENDIX II: 2013/14 ACTION PLAN

| HOUSING AND COUNCIL TAX BENEFIT SUBSIDY | | | | | |
|---|--|----------|--|----------------------------------|--------------------------------|
| CONCLUSIONS FROM WORK | RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING |
| During production of the 2013/14 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 applied correctly. | Medium | Agreed | Assistant Director (Accountancy) | Production of 2014/15 return |
| Our testing identified a small number of errors regarding ineligible meal costs, calculation of private pension income support charges, misclassification of benefit expenditure and classification of tenancy types. | 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 |
| Pooling of housing capital receipts | | | | | |
| CONCLUSIONS FROM WORK | RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING |
| New-build expenditure incurred during 2012/13 which required reporting in the 2013/14 return was omitted. | 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 |
| Discussions with the Council during the course of our work identified errors in cells on the form that are not covered by our certificate. These amounts relate to the available buy back allowance. | 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 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.

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