

Epping Forest District Council

Grant Claim Certification for the year ended 31 March 2010

January 2011

Contents

1	Introduction.....	3
2	Summary of certification	3
3	Fees charged	7
4	Conclusions.....	7

Appendix

- A Progress against prior year recommendations
- B Action plan

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 2010. 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 Certification Instruction 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.
- 1.3 The results of the integrated benefits work also contribute to the Audit Commission's inspection risk assessment for benefits services. 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 2010.

Claim	Value of claim £	Qualified/ Unqualified	Number of amendments	Impact of amendments on subsidy £
Pooling of housing capital receipts	1,063,955	Unqualified	3	8,663
Housing and council tax benefit subsidy	42,290,338	Qualified	24	112,411
Disabled facilities grant	240,000	Unqualified	0	0
National non domestic rates return	29,890,484	Unqualified	0	0
HRA subsidy (2009/10)	9,561,822	Unqualified	0	0
HRA subsidy base data return (2011/12)	N/A*	Qualified	2	N/A*
Total for 2009/10	83,046,599	2 Qualified	29	121,074
Total for 2008/09	76,398,978	2 Qualified	73	106,986

*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.

- 2.4 Further improvement to the accuracy of draft claims submitted for audit could be achieved through strengthening the overall claims preparation control environment in the following ways:
- Conducting and recording pre-audit analytical review of draft claims, by comparison to the prior year's claim and the knowledge and expectations of the officer responsible for preparing the claim, aimed at identifying areas of potential inaccuracy for further review.
 - Conducting and recording internal test checks of small samples of claim entries in areas where known errors or qualification issues have been reported in prior years.
 - Undertaking, as part of the claim preparation process, a documented cross check of the guidance for completing the claim form to the claim's supporting working papers.
 - Completing pre-audit, independent, senior review of claim working papers, including any documentation produced from the bullet points above.

Detailed findings

- 2.5 There were no matters arising from the audit of the disabled facilities grant claim, the National Non-domestic Rates Return or the HRA Subsidy (2009/10) Claim. This is an improvement on the previous year's audit results, where amendments were required to the National Non-domestic Rates Return.
- 2.6 Two of the six claims audited, the Housing and Council Tax Benefit Subsidy and the HRA Subsidy Base Data Return 2011/12, 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 administrative costs and to costs of expenditure on improvement of dwellings.
- 2.8 In accordance with CI CFB06, where administrative costs are incurred but no sale results, the costs cannot be claimed as a deduction. Some costs were identified during our testing that did not result in a sale and therefore should not have been included in the form. This is similar to the issue identified in the prior year.
- 2.9 Also, the original administrative costs included within the claim were based on estimates but when the actual costs were obtained, these were lower than the estimates and therefore led to an adjustment. Costs relating to general support services are not an allowable administrative cost per the CI but were also found to be incorrectly included within the claim.
- 2.10 Additionally, expenditure on improvements made to two dwellings more than three years prior to disposal of those dwellings were included as costs within the claim, which is not in accordance with the CI. There was also one item of expenditure where supporting documentation could not be provided and therefore had to be removed from the claim.

Housing and council tax benefit subsidy claim

- 2.11 As with the prior year, there were a number of amendments made to the Housing and Council Tax Benefit Subsidy claim. In particular, a number of amendments were made to cells relating to non-HRA cases, as a result of misclassification of Rent Rebates and Rent Allowances cases as non-HRA cases in the draft claim submitted for audit.

- 2.12 An amendment was made for expenditure under the rent officer arrangements for cases requiring referral, but where no referral was made by 31 May 2010 (cell 101). However, this was an adjustment that the Council anticipated because it arises from a timing issue whereby the subsidy claim form is compiled before 31 May 2010 (in order to meet the CI deadline of 31 May for submission of a draft claim to the auditor) but referrals can still be made up to and including 31 May. Consequently, there are often cases incorrectly included in this cell because a referral has been made before 31 May but after the compilation of the draft claim. The Council notified us of the required amendments during the audit, which we tested and were satisfied with.
- 2.13 A number of errors were identified during the course of the baseline testing of 68 benefit cases. This necessitated completion of three groups of additional "40+" testing, as required by the methodology agreed by the Audit Commission with the Department for Work and Pensions (DWP). This prescribed methodology for responding to, and extrapolating the results of, failures in the original sample of benefit cases tested requires that for situations where errors are identified, that cannot be concluded to be isolated, extended testing of an additional sample of 40 cases is required.
- 2.14 The testing on the additional sample of 120 cases selected for "40+" testing was completed by the Council's own staff (as it was in the previous year). We reviewed this work and undertook re-performance testing on a sample of the cases. Our re-performance testing found that we did not concur with the conclusion drawn on one case in a sample of four re-performed in respect of checking the accuracy of earned income. This necessitated re-performance of the remaining 36 cases. No further errors were identified. 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.
- 2.15 In addition to the amendments made to correct quantifiable errors the claim was qualified, primarily due to:
- Inaccuracies within the earned income figures used in benefit calculations, across all benefit types.
 - Misclassification of eligible overpayments in the Rent Rebate, Rent Allowances and Council Tax benefit types. Errors were also identified with the classification of non-HRA eligible overpayments, however as this was a small population all cases were tested and an amendment was made to the subsidy claim form to rectify the errors for this benefit type. For the Council Tax eligible overpayments, all of the errors identified related to claimants who died and therefore the overpayments arising should have been classified as technical excess overpayments. Misclassification of overpayments was also a cause of qualification in the prior year.
 - Single Person Discounts not being appropriately applied to single claimants' Council Tax liabilities, resulting in claimants being overpaid Council Tax benefit. In discussion with the Council it was identified that when a benefit claim is received against a full Council Tax liability and, on the face of it, a single person discount could apply, the Council do not have formal procedures in place to ensure that follow up action is taken, and that the discount is not always applied as it should be.
 - Expenditure relating to Rent Allowances was incorrectly classified as backdated expenditure and included in cell 126, when in fact it was normal expenditure that had not been subject to any backdate. This expenditure should therefore not have been separately disclosed in this cell. This cell however is not subject to subsidy and therefore no additional testing was completed.

- 2.16 On completion of the Software Diagnostic Tool, it was identified that there were benefit periods relating wholly to 2010/11 incorrectly included in the 2009/10 subsidy claim form which, therefore, does not meet the definition of the subsidy order. The benefit period in question was 5 April 2010 to 18 April 2010 and was paid in March 2010. These cases related to Rent Allowances, which are paid in advance, totalling £28,535. The DWP guidance states that benefit periods falling solely in 2010/11, but paid in 2009/10, should have been excluded from the 2009/10 subsidy claim. This was also reported in our qualification letter but not adjusted in the subsidy claim form.

HRA subsidy base data return

- 2.17 As in the prior year, 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.
- 2.18 Also, due to incomplete records, we were unable to complete our detailed testing to verify the internal floor area of properties in order to evidence their classification within the claim form. As in the prior year, the Council are still in the process of collating this information as part of their work to support the award of Energy Performance Certificates to individual council dwellings.
- 2.19 Issues identified in the prior year with locating evidence to support the age of the properties and to support the total number of storeys within a block in which the Council's flats are situated had not been addressed and therefore remained a qualification issue this year.
- 2.20 A further matter arose this year in relation to the classification of dwellings as traditional and non-traditional. Misclassifications were identified in both the original and extended samples chosen for testing and could not be determined to be isolated errors. An extrapolation of the total potential level of misclassification was included within our qualification letter.
- 2.21 The average actual weekly rent per dwelling in 2010/11 had been incorrectly calculated because two properties that had been disposed of within the year had been included for the full year and not only for the length of time in the period that they had been owned by the Council. This was corrected in the final claim.
- 2.22 As a consequence of the issues identified above, a qualification letter was issued in respect of the HRA subsidy base data return (2011/12).

3 Fees charged

3.1 The fees charged for each grant claim audited for the year ending 31 March 2010 were as follows:

Claim	Fee for the year ended 31 March 2010	Fee for the year ended 31 March 2009
Pooling of housing capital receipts	3,570	2,232
Housing and council tax benefit subsidy	49,605	42,975
Disabled facilities grant	1,190	2,012
National non domestic rates return	4,932	4,771
HRA subsidy (2009/10)	2,508	3,943
HRA subsidy base data return (2011/12)	4,166	5,168
Overall grants control environment risk assessment	983	-
Grants report & risk assessment	765	765
Housing and council tax benefit subsidy 2008/09 Follow Up (requested by the DWP)	2,275	-
TOTAL	69,994	61,866

3.2 The fee increase in respect of the Housing and Council Tax Benefit Subsidy claim was as a result of continued difficulties in resolving issues with complex cases selected for audit and the need to re-perform a full sample of 40+ testing due to errors identified in the initial re-performance of work completed by the Council. The issues arising from this audit are as set out in paragraphs 2.11 to 2.16 above.

3.3 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 scope for the Council to improve its overall control environment arrangements for the preparation of grant claims and supporting working papers for audit. This will result in more accurate draft claims being produced.

4.2 A number of the recommendations we made last year cannot be evidenced as fully implemented, in particular in respect of the Housing and Council Tax benefit Subsidy claim, as summarised in Appendix A. Also our detailed audit results are similar to those in the prior year, suggesting that action that has been taken has not been effective.

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
Housing and council tax benefit subsidy					
1. 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	Agreed, problem should be largely resolved by change from Orbis to Academy.	Assistant Director of Finance & ICT (Benefits)	April 2010	<p>Carry forward</p> <p>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.</p>
2. Provide targeted training on the classification of excess benefit to address common mistakes made and identified skills gaps among processing staff.	High	Agreed, this training has been provided previously and will be repeated.	Assistant Director of Finance & ICT (Benefits)	April 2010	<p>Carry forward</p> <p>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.</p>
3. Perform targeted test checks on cells with known prior year errors to ensure those errors are not repeated in the current year.	High	Agreed, although as above prior year errors should be reduced by system change.	Assistant Director of Finance & ICT (Benefits)	May 2010	<p>Implemented</p> <p>It was evident from our testing that there were fewer errors identified that were the same as the prior year. The Council completed checks on cells where they considered there to be an anomaly, for example with cell 101. These checks however are not formally documented. A recommendation has been raised in the current year to further enhance this process.</p>

Recommendations	Priority	Management response	Responsibility	Timing	Progress
4. 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	Agreed.	Assistant Director of Finance & ICT (Benefits)	May 2010	<p>Carry forward</p> <p>No evidence that such a comparison was completed and our analytical review queries needed to be worked through by Council staff.</p> <p>This recommendation has been re-iterated in the current year action plan at Appendix B.</p>
5. Improve the strength of communication between the Benefit team and the Finance team to ensure that there is a comprehensive understanding of matters arising, from both internal checks and formal audits, that impact on the preparation of the claim.	Medium	Agreed.	Assistant Directors of Finance & ICT (Accountancy and Benefits)	May 2010	<p>Carry forward</p> <p>Still in progress – it is evident that the Benefits Department and the Accountancy Department are improving their communication, with a formal process for completing monthly reconciliations. However it is considered that this process needs to be further enhanced to cover issues surrounding the subsidy claim form, including issues arising from our audit. Recommendation has been expanded on within the current year action plan.</p>

Recommendations	Priority	Management response	Responsibility	Timing	Progress
6. Complete the reconciliation of housing and council tax benefit expenditure to the ledger, rents and council tax systems, using the spreadsheet methodology provided by Capita for the Academy system.	High	Agreed, this is underway.	Assistant Directors of Finance & ICT (Benefits and Revenues)	April 2010	Implemented This was completed for 2008/09 and 2009/10, but only after the audit was started. There was also an unreconciled difference on Rent Allowances expenditure, that the Council were advised by Capita not to correct, although they were fully aware of what the difference related to. The Council should complete this reconciliation methodology as part of the claim preparation process. This has been raised as a recommendation for next year in Appendix B.
Pooling of housing capital receipts					
7. Review the administrative costs that are included within the claim and ensure that all of the costs can be attributed to a sale.	Medium	A review has been completed and actual costs and now being used wherever possible.	Assistant Director of Finance & ICT (Accountancy)	April 2010	Carry forward A similar range of issues with unallowable costs being included within the claim arose this year, suggesting that stated action taken was not effective. This recommendation has been re-iterated and expanded in the current year action plan at Appendix B.

Recommendations	Priority	Management response	Responsibility	Timing	Progress
Housing subsidy base data return (HOU02)					
8. Use the results of the work done to complete Energy Performance Certificates to inform the completion of the claim and, if certificates have not been received for all properties, apply the known internal floor areas on a beacon basis.	Medium	Agreed, this work is being undertaken by the Housing Directorate.	Assistant Director of Housing (Property)	April 2010	Carry forward This is work in progress.
9. Obtain evidence to support the number of storeys in each block of flats containing council dwellings.	Medium	As above	As above		

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 (amber) 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>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.</p> <p>The overall control environment could be improved through centralised checks made by a senior officer.</p>	<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> <ul style="list-style-type: none"> • 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. • 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. • 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	<p>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.</p>	Assistant Director of Finance & ICT (Accountancy)	May 2011

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
	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.		
Housing and council tax benefit subsidy					
Eligible overpayments continue to be misclassified between types, resulting in misstatement of subsidy claimed. [We have re-raised and expanded upon the recommendations we made in last year's report.]	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 spreadsheet. Trends are identified and appropriate training provided.	Assistant Director of Finance & ICT (Benefits)	January 2011
	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
As in the prior year, a number of amendments were required to the subsidy claim form to correct errors identified.	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
Additional testing was also required due to errors identified with the accuracy of benefit calculations where the claimant was on earned income. Other general errors were also identified in relation to the classification of expenditure on the subsidy claim form.	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

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
<p>Testing identified that a single person discount was not always applied to a claimant's Council Tax liability, even though, on the face of it, a single person discount could apply. The guidance states that single person's discounts should be assumed when calculating benefit for single persons, whether or not the discount has been formally claimed and awarded by the Council Tax department. The Council does not have a set, formal procedure in place to ensure that follow up action is taken and that the discount is appropriately applied.</p>	<p>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.</p>	High	<p>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.</p>	Assistant Director of Finance & ICT (Benefits)	January 2011
<p>Problems were encountered during the course of the audit in resolving queries and the availability of key contacts at the Council.</p>	<p>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.</p>	High	<p>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.</p>	Assistant Director of Finance & ICT (Benefits) Supervisor, PKF	June 2011

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
Although the Council completed the subsidy reconciliation using the spreadsheet methodology provided by Capita for the Academy system, this reconciliation was completed after the compilation of the subsidy grant claim. Differences remained on the reconciliation for Rent Allowances due to the subsidy integrity report not being cleared down. It will be beneficial for the Council to complete the reconciliation methodology earlier on in the compilation process to identify and resolve any differences up front.	9. Complete the reconciliation of housing and council tax benefits as part of the claim compilation process during May, using the spreadsheet methodology provided by Capita for the Academy system.	High	Recommended Academy spreadsheet will be completed.	Assistant Director of Finance & ICT (Benefits)	May 2011
Pooling of housing capital receipts					
Administrative costs have been included within the claim where they are not allowable by the Certification Instruction and therefore required amendment. Estimates of the costs were used and costs that did not directly relate to a sale were also incorrectly included, which are not allowable deductions.	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
Costs of expenditure on improvements to dwellings in two cases were found to have been incurred more than three years prior to the disposal date and therefore are not allowable by the Certification Instruction. There was also one case where supporting documentation could not be provided.	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

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
Housing subsidy base data return (HOU02)					
Misclassifications were identified between traditional and non-traditional properties.	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