



Report to the Governance, Audit and Performance Committee

UTTLESFORD DISTRICT COUNCIL

GRANTS AND RETURNS

Audit Completion: year ended 31 March 2019

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INTRODUCTION

Grant Certification Work

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2019.

Grant claims and returns are not within the scope of our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return. These assurance reviews are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has engaged us to carry out the following for the year ended 31 March 2019:

- 'Agreed-upon procedures', based on the instructions and guidance provided by the Department for Work and Pensions (DWP), of the form MPF720A - Statement of Authority claimed entitlement to Housing Benefit.
- 'Agreed-upon procedures', based on the instructions and guidance provided by the Ministry of Housing, Communities and Local Government (MHCLG), of the Pooling of housing capital receipts return

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.

David Eagles, Partner
for and on behalf of BDO LLP
11 March 2020

The contents of this report relate only to those matters which came to our attention during the conduct of our agreed procedures which are designed primarily for the purpose of expressing a conclusion or reporting the results of our work on the grants and returns subject to certification. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

This table shows the details of each grant claim and return subject to certification by us for the financial year ended 31 March 2019.

Where our work identified issues which resulted in either an amendment and / or a qualification or reported exception, further information is provided on the following pages.

There are no matters to report in respect of our work on the Pooling of housing capital receipts return.

| Claim or return | Value of return | Qualification / exceptions | Amended | Submission date | Impact of amendments |
|-------------------------------------|-----------------|----------------------------|---------|------------------|------------------------------------|
| Housing benefit subsidy | £13,743,977 | Yes | Yes | 30 November 2019 | Decrease in subsidy claimed of -£2 |
| Pooling of housing capital receipts | £389,088.80 | No | No | 6 February 2010 | N/A |



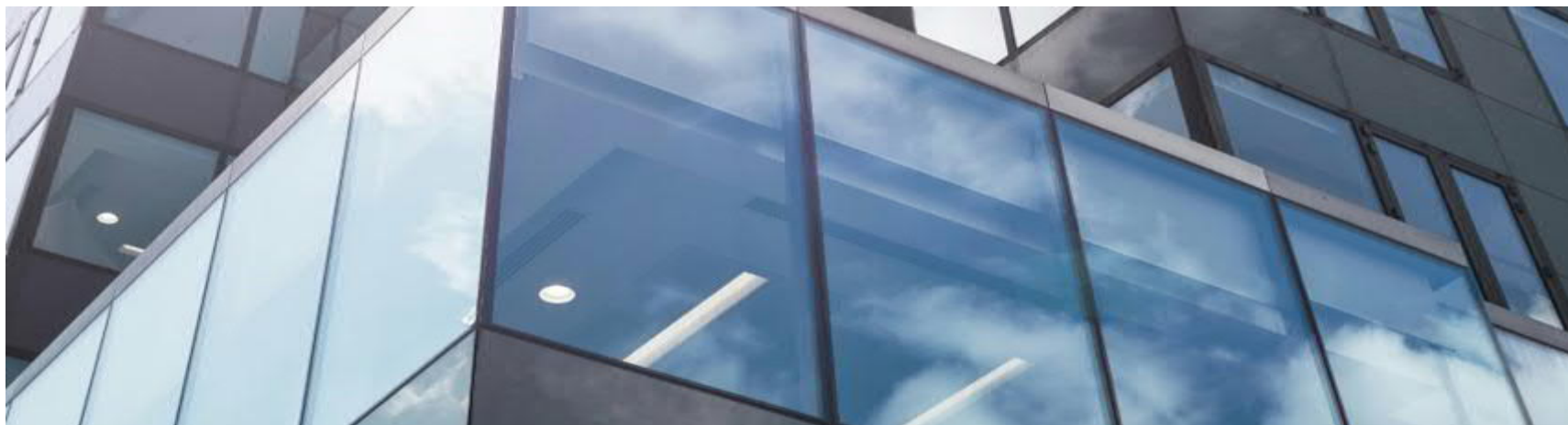
FEES

Executive summary

The fees for this work are shown below:

| Claim or return | 2017/18 Actual fee | 2018/19 Planned fee | 2018/19 Actual fee | Explanation for fee amendments |
|-------------------------------------|-----------------------|------------------------|-----------------------|--------------------------------|
| Housing benefit subsidy | £22,808* | £17,000 | £17,000 | N/A |
| Pooling of housing capital receipts | £2,500 | £1,800 | £1,800 | N/A |

* In 2017/18 the predecessor auditors, EY, performed the work. The fees for the Housing Benefit Subsidy claim were set by PSAA.



HOUSING BENEFITS SUBSIDY

Scheme requirements

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 draft subsidy return provided for audit recorded amounts claimed as subsidy of £13,743,979.

The final return was amended to £13,743,977.

Findings

Our audit of 45 individual claimant files highlighted some errors the Council made in administering benefit and calculating subsidy entitlement.

The guidance requires that auditors undertake extended testing of 40 additional cases with similar characteristics ('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. The results of this testing are extrapolated across the population to estimate a potential error amount. 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 as an observation in our qualification letter.

Initial testing resulted in 1 new area of 40+ Testing (HRA Rent Rebate: incorrect uprating of state retirement pension) and 1 area of 100% testing (Pension uprating in Rent Rebates Modified schemes).

2 areas were tested as a result of being reported as prior year issues (Rent Allowances earned income, HRA Rent Rebates eligible overpayments).

A summary of our findings can be found on the following pages.

The final claim was amended to decrease subsidy by £2 to £13,743,977.

However, the potential impact resulting from the extrapolated errors, if DWP was minded to finalise the subsidy based on these findings, would impact the claim form by £336 (Rent allowances Earned income -£117, HRA Rent Rebates expenditure misclassification £219).

Our work was completed and the claim was certified on the deadline of 30 November 2019.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Earned Income

Reporting matter

Adjusted

Unadjusted error

Errors

In 2016/17 and 2017/18 it was identified that the Council had incorrectly assessed earned income elements, resulting in an overpayment of benefit.

No errors of this nature were identified in the initial testing of Rent Allowance cases.

Additional testing

Due to the errors reported in the previous year, the council were required to undertake 40+ testing to determine whether this issue had continued in 2018/19.

The additional testing identified:

- 4 cases where benefit was overpaid by a total of £14, as a result of using incorrect earned income in the assessment.
- 6 cases which had resulted in an underpayment of housing benefit to a total of £116 in 2018/19 due to miscalculating the claimants earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.
- 1 case which had been incorrectly calculated but had no effect on the benefit paid.

Impact

Based on our extrapolation of the four earned income overpayment errors identified, we estimated the Council overpaid benefits by £117 (0.01% error rate on population of £2,021,763).

If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £117 as local authority error does not attract benefit subsidy.

However, DWP does provide an allowance within the subsidy system to recover local authority errors and as the Council is below the threshold, it would be able to recover this amount through this subsidy allowance.

Therefore, it would not impact on overall subsidy claimed.

HOUSING BENEFITS SUBSIDY

HRA Rent Rebates: Cell 067 Expenditure misclassification

Reporting matter

Adjusted

Unadjusted error

Errors

In 2016/17 and 2017/18 it was identified that the Council had included overpayments in cell 067 that should have been classified as cell 065 LA error and administrative delay eligible overpayments.

No errors of this nature were identified in the initial testing of HRA Rent Rebate cases.

Additional testing

Due to the errors reported in the previous year, the council were required to undertake 40+ testing to determine whether this issue had continued in 2018/19.

Testing of an additional random sample of 40 cases identified 1 case (total value £73) where the overpayment should have been classified in cell 65 (LA error overpayments) not cell 67. Consequently, cell 67 is overstated and cell 65 is correspondingly understated there is no effect on cell 055.

Impact

Based on our extrapolation of the overpayment error identified, we estimated the Council overpaid benefits by £219 (0.52% error rate on population of £42,068).

If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £219 as local authority error does not attract benefit subsidy.

However, DWP does provide an allowance within the subsidy system to recover local authority errors and as the Council is below the threshold, it would be able to recover this amount through this subsidy allowance.

Therefore, it would not impact on overall subsidy claimed.

HOUSING BENEFITS SUBSIDY

HRA Rent rebates: State Pension

Reporting matter

Adjusted

Unadjusted error

Errors

Testing of our initial sample of 20 HRA Rent rebate cases identified 2 cases where incorrect state pension figures were used in the calculation.

This resulted in no change in benefit in 1 case and an underpayment of £28 in the other case.

Additional testing

The Council undertook 40+ testing on cases with a state pension element to check these had been applied correctly as this error could result in an overpayment of benefit.

Five further claims were identified as errors. All of which resulted in an understatement of benefit.

Impact

There is no eligibility to subsidy for benefit which has not been paid, the underpayments have not, therefore, been classified as errors for subsidy purposes.

HOUSING BENEFITS SUBSIDY

Modified Schemes:
Rent Rebates pension
uprating pre-1973 war
widows pensions

- Reporting matter
- Adjusted
- Unadjusted error

Errors

Initial testing found that the 100% government disregard for pre- 1973 war widow's pensions was not uprated to 2018/19 rates resulting in an overstatement of cell 214 by £2.

Additional testing

There were three other cases within cell 214, we reviewed each case and non of them were in receipt of a pre-1973 war widow's pension.

As a result we were able to conclude that this was an isolated error.

Impact

The claim form was amended to reflect the original error identified.



FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the review of grants claims and returns 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 organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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