



Report to the Governance, Audit and Performance Committee

UTTLESFORD DISTRICT COUNCIL

GRANTS AND RETURNS

Audit Completion: year ended 31 March 2020

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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 2020.

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 2020:

- ‘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**
14 July 2021

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 2020.

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	£12,212,839	Yes	No	3 June 2021	N/A
Pooling of housing capital receipts	£164,100	No	Yes	29 January 2021	No impact on subsidy claimed



FEES

Executive summary

The fees for this work are shown below:

Claim or return	2018/19 Actual fee	2019/20 Planned fee	2019/20 Actual fee	Explanation for fee amendments
Housing benefit subsidy	£17,000	£17,000	£17,000	N/A
Pooling of housing capital receipts	£1,500	£1,525	£1,525	N/A



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 £12,212,302.

No amendments were made to the draft claim submitted for audit.

Findings

Our audit of 48 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.

Findings cont.

Initial testing resulted in two new areas of 40+ Testing (HRA Rent Rebate: private pension error and Rent Allowance: rent error).

Four areas were tested as a result of being reported as prior year issues:

- HRA Rent Rebates cell 055 incorrect uprating of state retirement pension
- HRA Rent Rebates cell 067 Eligible overpayment classification
- Rent Allowances cell 094 earned income calculation error
- Rent Rebates cell 214 modified schemes war widow pensions not uprated.

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

No amendments were made to the draft claim submitted for audit.

If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £234 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.

Our work was completed and the claim was certified on 3 June 2021.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Earned Income

Reporting matter

Adjusted

Unadjusted error

Errors

In 2016/17, 2017/18 and 2018/19 it was identified that the Council had incorrectly assessed earned income elements, resulting in an overpayment of benefit.

During our initial testing four cases (value: £20,072) had earnings which were input incorrectly, two of which resulted in an overpayment of 43 pence. The other two cases tested had errors but the error did not affect the amount of subsidy paid.

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 2019/20.

The additional testing identified:

- 6 cases which resulted in an underpayment of housing benefit to a total of £242.61 in 2019/20 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.
- 4 cases which had been incorrectly calculated but had no effect on the benefit paid.

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

Rent Allowances: Rent Calculation Error

Reporting matter

Adjusted

Unadjusted error

Errors

Testing of our initial sample of 20 Rent Allowance cases identified 1 case where the incorrect rent figure had been used in the calculation.

This resulted in an underpayment of benefit.

Additional testing

The Council undertook 40+ testing on Rent Allowance cases to check that Rent had been correctly input as this error could result in an overpayment of benefit.

No further errors were identified from the 40 plus testing.

Impact

There is no eligibility to subsidy for benefit which has not been paid, the underpayment has not, therefore, been classified as an error for subsidy purposes.

HOUSING BENEFITS SUBSIDY

Rent Rebates: Private Pension Error

Reporting matter

Adjusted

Unadjusted error

Errors

Initial testing found a case where the private pension figure had been incorrectly input resulting in an overstatement in one period of £20.25 and an understatement in another period of £39.60.

Additional testing

The council undertook 40+ testing on Rent Rebate cases that have an element of private pension in the calculation to check that the pension figure had been correctly input.

The additional testing identified:

- 2 cases which resulted in an overpayment of housing benefit to a total of £42.86 due to incorrectly entering private pension. The errors were £7.35 and £35.51.
- 1 case which resulted in an underpayment of housing benefit to a total of £31.16 due to incorrectly entering private pension. 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 three private pension overpayment errors identified, we estimated the Council overpaid benefits by £234 (0.03% error rate on population of £595,768).

If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £234 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



The following CAKE (cumulative audit knowledge and experience) tests have returned no errors and are therefore considered closed:

- HRA Rent Rebates cell 067 Eligible overpayment classification
- Rent Rebates cell 214 modified schemes war widows pensions not updated.

The state retirement issue was checked 100% before the claim form was run and therefore no amendments were required to the claim form provided to audit. However the 100% testing undertaken did identify errors and therefore testing will need to be undertaken on the issue for next years audit.



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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