

AUDIT COMMITTEE

21 MARCH 2017

EXTERNAL AUDIT GRANT CLAIM REPORT

Report from: Phil Watts, Chief Finance Officer

Summary

This report and appendix presents the work carried out by BDO, the Council's external auditor, in respect of the certification of grant claims for the financial year ended 31 March 2016. The report is presented to the Audit Committee to comply with governance requirements.

1. Budget and Policy Framework

1.1 In accordance with the terms of reference of the Audit Committee, receipt of the grant claim audit report is a matter for this Committee.

2. Background

2.1 BDO, as the Council's external auditor, provides a certificate on the accuracy of grant claims and returns to various government departments and other agencies. The Firm act as agents of Public Sector Audit Appointments Limited (PSSA) in respect of the annual Housing Benefit Subsidy Claim. Assurance reviews are also undertaken outside of the PSSA regime in respect of the Pooling of Housing capital Receipts Return and the Teachers Pensions Return.

2.2 The total value of these returns for the financial year 2015/2016 was £111 million and represented a substantial source of income and expenditure.

2.3 The attached report sets out the main issues arising. The external auditor's report also provides details of the Council's progress against the agreed 2014/2015 recommendations.

2.4 A high level summary of the findings is set out in the following sections.

3. Housing Benefit Subsidy Claim

3.1 BDO certify the value of the subsidy claim using methodology and sample sizes prescribed by PSSA and Department for Work and Pensions (DWP).

3.2 A number of errors were identified during tests carried out and further tests undertaken. On completion of the additional testing, BDO issued a qualified audit certificate and quantified the effect of the errors identified on the Council's entitlement to subsidy (based on extrapolations) in a letter to the DWP. The final payment to Medway was reduced by £466 as a result of errors found in non-HRA rent rebates. A summary of the audit findings is given below:

- **Non HRA Rent Rebates** – A sample of overpayments were tested and some such payments were found to be misclassified between eligible overpayments and technical overpayments. The auditors extrapolated the sample error and reported understated local authority payments of £5,794 and errors decreasing subsidy of £5,328.
- **HRA Rent Rebates** – One case in which fuel rates had been incorrectly applied to eligible rent in the benefit calculation led to testing of the entire sub-population. Seventeen such incidents were found resulting in overpaid benefit of £108 which would have increased subsidy by this amount.
- **Modified Schemes** – Sample testing found 8 cases in which incorrect pension amounts had been applied in the benefits calculation. Testing of the whole sub-population increased this number to 38 cases. The errors found would increase subsidy by around £1,016.

4. Pooling of Housing Capital Receipts Return

4.1 The Council is required to pay a proportion of housing capital receipts into the national pool operated by the Department for Communities and Local Government. The return was certified without amendment or qualification.

5. Teachers' pensions return

5.1 Two very minor errors were found but the return was certified without amendment or qualification.

6. Financial and Legal Implications

6.1 There are no legal implications.

6.2 The external auditors fees for the 2015/16 grants audit total £17,256 (2014/15 £19,650).

7. Risk Management

7.1 Risks of future grant claims being inappropriately prepared will be mitigated by continuing to improve procedures and complying with the recommendations of the external auditor.

8. Recommendation

- 8.1 That the Audit Committee notes the external auditor's grant claims and returns certification report for 2015/2016, as set out at Appendix 1.

Lead officer contact

Name Phil Watts
Job Title Chief Finance Officer
Telephone: 01634 332220 email: phil.watts@medway.gov.uk

Background Papers: None

Appendices:

Appendix 1 – BDO Report on Grant Claims and Returns Certification