



# MEDWAY COUNCIL

## GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2016



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# INTRODUCTION

## Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

### Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI 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.

### Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant Departments, of the Pooling of housing capital receipts return and the Teachers' pensions return for the year ended 31 March 2016.

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.

## Fees

We reported our original fee proposals in our Audit Plan. We have not had to amend our planned fees.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
<b>PSAA regime</b>		
Housing benefits subsidy claim	9,856	9,856
<b>Total PSAA regime fees</b>	<b>9,856</b>	<b>9,856</b>

<b>Other certification work</b>		
Pooling of housing capital receipts return	3,200	3,200
Teachers' pensions return	4,200	4,200

<b>Total certification fees</b>	<b>17,256</b>	<b>17,256</b>
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## KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix II of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	£101,608,737	YES	YES	(£3,149)
Pooling of housing capital receipts	£767,350	NO	NO	N/A
Teachers' pensions	£8,502,313	NO	YES	£-

### HOUSING BENEFIT SUBSIDY

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 methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £101,611,886. The final submission was reduced by £3,149 to £101,608,737.

### FINDINGS AND IMPACT ON RETURN

Our audit of 60 individual claimant files highlighted some errors the Council made in administering benefit and calculating subsidy entitlement.

Guidance requires auditors to undertake extended 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. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. 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 within our qualification letter.

This resulted in 2 areas of 40+ testing, 3 areas of additional testing and 3 amendments to the claim form.

PSAA's methodology requires auditors to reperform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. We were able to rely on the conclusions drawn by the Council.

Our work was completed and the claim was certified before the Government's deadline of 30 November 2016. Our audit certification was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations) in a letter to the Department of Work and Pensions. The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year.

A summary of our audit findings can be found on the next page.

## DETAILED FINDINGS

Benefit type	Error type	Impact on claim
Non-HRA rent rebates - eligible overpayments	Initial testing identified that the Council misclassified overpayments between those classified as eligible overpayments and technical error overpayments. 40+ testing was undertaken to quantify the results and an extrapolation was included within the Qualification Letter.	Based on our extrapolation of the errors, we estimated that the Council overstated the amount of eligible overpayments by £13,320 and understated technical overpayments by £7,526 and understated local authority overpayments by £5,794. If DWP decide to adjust for the extrapolated error reported, this would have a decrease on subsidy of £5,328.
Non-HRA rent rebates - incorrect application of fuel rates in eligible rent	Initial testing identified that the Council incorrectly applied fuel rates to eligible rent in benefit calculations for 1 case, resulting in benefit being overpaid. Testing was completed on the entire sub-population of 17 cases where fuel rates applied so that the error could be quantified. A further 10 errors were identified from this testing.	The errors will be reflected in the 2016/17 subsidy claim form and therefore the impact of the errors identified and the required amendments were reported in the Qualification Letter. The total overpaid benefit amounted to £108 (with the corresponding entry being local authority overpayments). This error would increase subsidy by approximately £108.
Modified schemes - incorrect pension amounts	Prior years testing identified that incorrect pension amounts had been applied in the benefit calculation in 8 cases resulting in expenditure for local scheme cases being underpaid or having no impact on the benefit paid. Testing was completed on the entire sub-population of 38 modified schemes to determine whether issues previously identified had continued in 2015/16. Six further errors were identified.	The errors will be reflected in the 2016/17 subsidy claim form and therefore the impact of the errors identified and the required amendments were reported in the Qualification Letter. Local scheme expenditure was found to be overstated by £4,064 in total for the errors identified and standard scheme benefit expenditure was found to be understated by £4,064 (with the corresponding entry being local authority overpayments). This error would increase subsidy by approximately £1,016.

## DETAILED FINDINGS

### POOLING OF HOUSING CAPITAL RECEIPTS

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 return provided for audit recorded total receipts of £767,350 which was payable to the Department for Communities and Local Government (DCLG).

DCLG requires that this return is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide a reasonable assurance report.

### FINDINGS AND IMPACT ON RETURN

Our audit did not identify any issues and the return was certified without qualification or amendment.

# DETAILED FINDINGS

## TEACHERS' PENSIONS

## FINDINGS AND IMPACT ON RETURN

Local authorities which employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions.

The Department for Education requires that Form EOYC is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate term of engagement for this work and provided a limited assurance audit report before the Government's deadline for submitting the audited return.

Our audit identified two very minor presentational errors in the draft claim submitted for audit. The return was qualified without certification in line with the deadline for Teachers' Pensions.

# APPENDICES



## APPENDIX I: STATUS OF 2014/15 RECOMMENDATIONS

RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING	PROGRESS	STATUS
<p>As in the prior year, our audit identified a Northgate system error which resulted in part week non-HRA rent rebate payments being misclassified.</p> <p>We recommend that the Council continues to liaise with Northgate to ensure a software fix is provided to correct this error going forward.</p>	Medium	Jon Poulson	On-going	<p>Northgate issued a fix for this problem. A report was generated by the Council to identify cases that this issue had an impact on and the amounts that the Council needed to post to correct the claim. The Council corrected the grant claim before the draft claim form was finalised.</p> <p>BDO checked the report was complete and ensured that the correct amendments had been made to the draft claim form.</p>	Closed.
<p>We recommend the Council ensures that sufficient training is provided to the assessments team on the errors identified during 2014/15, particularly reminding staff the definition of a technical overpayment.</p> <p>Complete increased, targeted sample checks on the work completed by benefit assessors to identify any particular training needs and to ensure that any known errors are being addressed.</p>	Medium	Jon Poulson	<p>End of March 2016</p> <p>And Ongoing</p>	<p>There were a reduction in the number of misclassification errors identified during this years audit.</p>	Closed.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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