

AUDIT COMMITTEE

30 JULY 2018

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 2017. 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 2016/2017 was £108 million and represented a substantial source of income.
- 2.3 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. If DWP decides to adjust the subsidy claimed by the value of the

extrapolated errors the Council will have under claimed subsidy by a net value of £13,117. 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. The auditors extrapolated the sample error and reported decrease in subsidy receivable of £12,356.
- **Non-HRA Rent Rebates** – The auditors found an overstatement of Eligible overpayments of £1 and understatement of Technical overpayments of £1. The effect on subsidy receivable was 40 pence but as subsidy is rounded there would be no change.
- **Rent Rebates** – The auditors extrapolated errors were an overstatement of Eligible overpayments of £8,261 and understatement of LA error of the same amount. If DWP accept the findings this would decrease subsidy receivable by £3,304.
- **Rent Allowances – Earned Income (Prior Year)** – The extrapolated value of errors identified was an overstated benefit expenditure and corresponding understated LA error of £2,330. If accepted by DWP this would result in a decrease in subsidy receivable of £2,330.
- **Rent Allowances – Eligible Overpayments** – Extrapolated errors if accepted would result in an increase in subsidy receivable of £31,107.

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 The return was certified without qualification or amendment.

6. Financial and Legal Implications

- 6.1 There are no legal implications.
- 6.2 The external auditors fees for the 2016/17 grants audit total £21,393 (2015/16 £17,256).

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 2016/2017, as set out at Appendix 1.

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Appendices:

Appendix 1 – BDO Report on Grant Claims and Returns Certification

Background Papers: None