



## **AUDIT COMMITTEE**

**21 MARCH 2019**

### **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 for 2017/18, in respect of the certification of grant claims for the financial year ended 31 March 2018. 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 for 2017/18, 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 2017/2018 was £103m, comprising income of £96m of income and outgoings of £7m.

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 No errors were identified in the initial sample of 60 claims tested. In accordance with PSSA guidance, additional testing was undertaken as a follow-up to issues reported in prior years, which did identify a number of errors. 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 £39,779. A summary of the audit findings is given below:

- **Non HRA Rent Rebates** – The Council overstated the amount of expenditure above the cap limits by £818. If the DWP decided to adjust for this subsidy receivable would increase by £818.
- **Non-HRA Rent Rebates** – The testing of the 2017/18 claim identified one case where an overpayment was misclassified and this year as the cell population is below 100, in accordance with DWP guidance, 100% testing was carried out. The auditors found an overstatement of Eligible overpayments of £4,158 and understatements of Technical overpayments of £2,466 and LA error and administrative delay overpayments of £1,692. As the entire cell population had been tested, the claim was amended accordingly.
- **Rent Rebates** – Based on their testing and extrapolation, the auditors estimate an overstatement of eligible overpayments of £5,458, understatement of technical overpayment of £5,025 and understated HRA rent rebate expenditure by £433. If DWP decided to adjust for the extrapolated error, this would increase the subsidy receivable by £3,275.
- **Rent Allowances – Earned Income**– Based on their testing and extrapolation, the value of errors are estimated as overstated benefit expenditure of £47,102 and a corresponding understated LA error and administrative delay overpayment claim of £47,012. These errors will not affect the subsidy receivable as the council are below the threshold for LA error.
- **Rent Allowances – Eligible Overpayments** – Based on the extrapolation of the errors identified, it is estimated that the Council overstated the amount of eligible overpayments by £59,477 and understated LA error and administrative delay overpayments by £49,069 and LHA expenditure by £10,408. If the DWP decide to adjust for the extrapolated error subsidy would increase by £35,686.

#### **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. BDO did not identify any issues or exceptions to report.

#### **5. Teachers' pensions return**

- 5.1 BDO found misclassifications on the form that were amended subsequently. The amendments had no impact on the total amount payable to Teachers Pension.

## **6. Financial and Legal Implications**

- 6.1 There are no legal implications.
- 6.2 The external auditors fees for the 2017/18 grants audit total £34,886 (2016/17 £21,393).
- 6.3 For the 2017/18 housing benefit subsidy audit, the fee increased from £13,993 to £26,736. This is because a portion of the work was previously completed by a third party whose contract had expired after the 2016/17 audit. As the council have new arrangements in place for the 2018/19 audit with our new appointed auditors, BDO agreed to cover this additional work as a one-off arrangement for the 2017/18 audit.

## **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 2017/2018, 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](mailto:phil.watts@medway.gov.uk)

### **Appendices:**

Appendix 1 – BDO Report on Grant Claims and Returns Certification

### **Background Papers:**

None