

# Certification report 2012/13 for Swale Borough Council

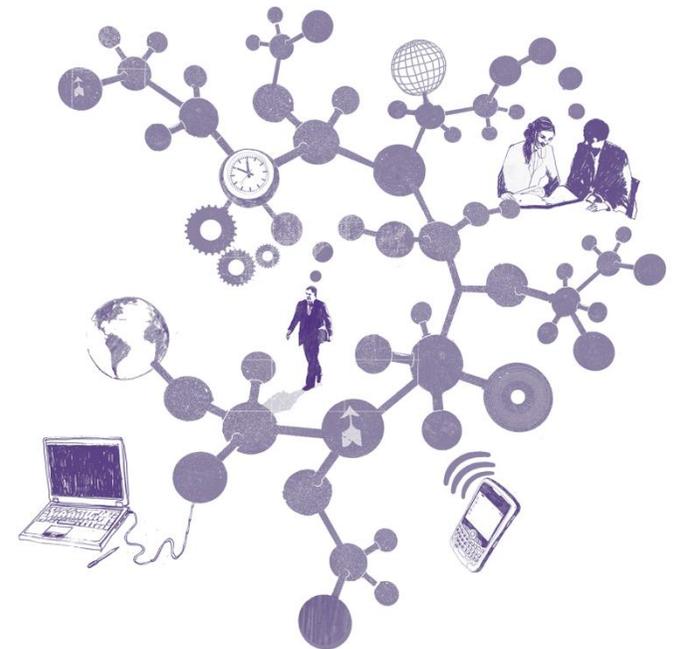
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**Year ended 31 March 2013**

January 2014

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# Section 1: Executive summary

01. Executive summary

02. Results of our certification work

# Executive summary

## Introduction

We are required to certify certain of the claims and returns submitted by Swale Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2012/13 relating to expenditure of £104.6 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

## Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency and issues auditors with a Certification Instruction for each claim or return.

## Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below.

Aspect of certification arrangements	Key Messages
<b>Submission &amp; certification</b>	All draft and final audited claims and returns were submitted within the required government department deadlines.
<b>Accuracy of claim forms submitted to the auditor (including amendments &amp; qualifications)</b>	<p><b>NNDR 3 return</b> No amendment was required to the NNDR 3 return.</p> <p><b>Housing and council tax benefit subsidy claim</b> A number of errors identified from audit testing and extrapolations of the potential impact on subsidy were reported to the Department of Work and Pensions (DWP) by a qualification letter.</p>
<b>Supporting working papers</b>	<p><b>NNDR 3 return</b> Clear working paper trails were provided to support the return.</p> <p><b>Housing and council tax benefit subsidy claim</b> Clear working papers were provided to support the draft claim. Additional working papers were provided to support detailed audit testing.</p>

## **Certification fees**

The Audit Commission sets an indicative scale fee for certification work at each audited body. The actual fee of £13,050 for our 2012/13 certification work is the same as the Commission's indicative fee. Further detail is provided at Appendix B.

## **The way forward**

We set out recommendations arising from our certification work at Appendix C.

## **Acknowledgements**

We would like to take this opportunity to thank the Council's officers for their assistance and co-operation with our 2012/13 certification work.

**Grant Thornton UK LLP**

**January 2014**

# Appendices

# Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Qualified?	Comments
	£			
NNDR 3 return	37,703,501	No	No	
Housing and council tax benefit subsidy scheme	66,879,175	No	Yes	<p>We reported the following issues in our qualification letter:</p> <p><b>Reconciliation of benefit granted to benefit paid</b> Auditors are required to test if the records for benefit granted and benefit paid have been reconciled in accordance with the software provider's instructions.</p> <p>The Council performed the required reconciliations, but did not achieve a complete reconciliation for rent allowances, with the amount of benefit awarded exceeding the amount paid by £1468.</p> <p><b>Understatement of expenditure</b> Certification work in 2011/12 identified that not all expenditure on rent rebates (tenants of non-HRA properties) was being recorded on the claim form, as the Council was not recording rent above the level eligible for subsidy. The effect was that the Council underclaimed subsidy in the limited number of cases where there were overpayments or part week payments. The correct amounts had been paid to claimants.</p> <p>The Council amended its processes with effect from 30 November 2012. Our letter noted that the issue identified in 2011/12 was a continuing issue in 2012/13 up to this date.</p> <p>A review by officers also identified a similar issue in respect of rent allowance expenditure on short term accommodation. Although expenditure had been omitted from the claim form there was no impact on subsidy.</p> <p><b>Errors from testing of benefit claims</b> The Audit Commission framework requires sample testing of benefit claims to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes. Where errors are identified from initial testing then further testing is performed. The overall impact on subsidy is extrapolated and reported to DWP using a qualification letter. It is for DWP to decide if any further action is required.</p>

# Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Qualified?	Comments
	£			
Housing and council tax benefit subsidy scheme				<p>We tested an initial sample of 60 claims, i.e. a sample of 20 claims each for non-HRA rent rebate, rent allowance and council tax benefit expenditure.</p> <p>Our initial testing of claims for non HRA rent rebate and council tax benefit expenditure did not identify any errors.</p> <p>We identified four errors from our initial testing of claims for rent allowance expenditure.</p> <p>For one claim the wrong tenancy start date had been used. Testing of a further 40 cases identified 5 similar errors. In 5 of the 6 cases the only impact was that expenditure on the claim form was misclassified between cells both paying subsidy at 100% In the remaining case the impact extrapolated for subsidy purposes was to move £64,468 from a cell paying 100% subsidy to a cell paying 60% subsidy.</p> <p>For one claim there was insufficient supporting information on non-dependent income. Testing of a further 40 cases did not identify any further errors. The impact extrapolated for subsidy purposes was to move £6,849 from a cell paying 100% subsidy to a cell paying 0% subsidy.</p> <p>For one claim there was insufficient evidence to support changes to child tax credit. Testing of a further 40 cases identified one similar error. In these cases we noted that if there was no entitlement to benefit then the impact would be to move £68,123 from a cell paying 100% subsidy to a cell paying 0% subsidy. However, we noted that the relevant evidence may have been held on the DWP CIS system, and would have been overwritten by later entries at the time of our certification work.</p> <p>For one claim we identified an underpayment because the wrong start date had been used for the claim. Testing of a further 40 cases did not identify any further errors. Underpayments have no impact on subsidy as subsidy cannot be claimed for benefit which has not been awarded, and therefore no extrapolation is performed.</p>

# Appendix B: Fees

Claim or return	2012/13 indicative fee	2012/13 actual fee	Variance	Explanation for significant variances
	£	£	£	
Housing benefits subsidy claim	11,120	11,120	0	
National non-domestic rates return	1,930	1,930	0	
<b>Total</b>	<b>13,050</b>	<b>13,050</b>	<b>0</b>	

# Appendix C: Action plan

## Priority

**High** - Significant effect on arrangements

**Medium** – Some effect on arrangements

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	A complete reconciliation between benefit granted and benefit paid for rent allowances should be achieved prior to submission of the 2013/14 subsidy claim.	Medium	The Academy reconciliation that was carried out for the 2012/13 claim was out by £1,467.88 on a claim of £55,000,000 (0.0027%). This reconciliation was not completed due to the reduced timescales for submitting the subsidy claim which was reduced from two months to one month by the DWP. The imbalance was considered to be down to a difference between the overpayments raised and recovered. Extra time will be given to the Academy reconciliation for the 2013/14 subsidy claim.	April 2014 Assistant Revenues and Benefits Manager
2	Rent allowance expenditure on short term accommodation above the level eligible for subsidy should be recorded on the claim form.	Medium	The rent allowance expenditure for short term accommodation above the eligible level is now being recorded on the subsidy claim form.	Implemented Assistant Revenues and Benefits Manager
3	Benefit records for individual claimants should be amended for all errors identified from 2012/13 certification testing.	Medium	All benefit records for individual claimants were amended for the errors that were found in the 2012/13 testing.	Implemented Assistant Revenues and Benefits Manager



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