

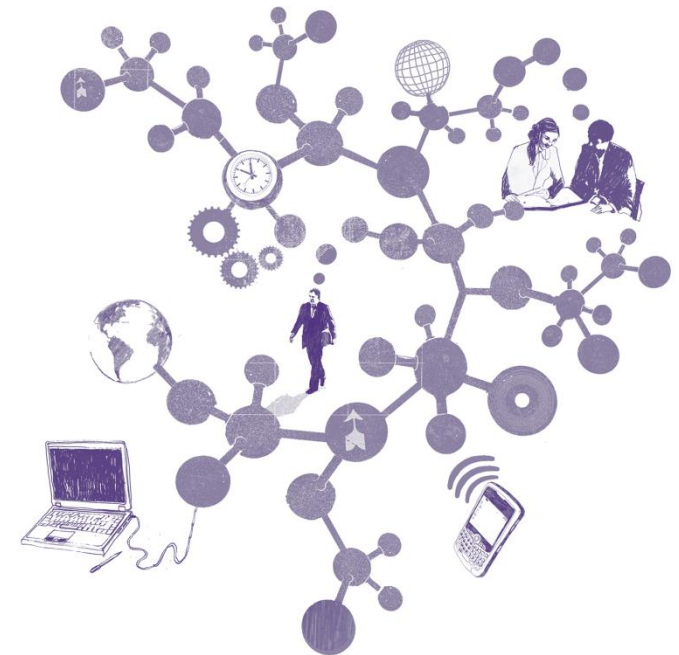
Certification report 2013/14 for Swale Borough Council

Year ended 31 March 2014

February 2015

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Section 1: Summary of findings



01. Summary of findings

Summary of findings

Introduction

We are required to certify certain claims and returns submitted by Swale Borough Council ('the Council'). Auditor certification is an important part of the process to confirm the Council's entitlement to funding.

This report summarises the outcomes from our certification work for 2013/14.

Approach and context to certification

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

The Audit Commission also requires auditors to report the outcomes of certification work to those charged with governance.

In 2013/14 only one claim required auditor certification at Swale BC. This was the Council's claim for Housing Benefit Subsidy, based on total expenditure (benefit granted) of £55.8m.

Key messages

The volume of work required to complete certification of the housing benefit subsidy claim was greater for 2013/14 than in previous years. This was due to the level of testing required to follow up both errors identified from our previous year work and errors identified from our initial testing on the 2013/14 claim. Further information on the work performed is at Appendix A.

Officers in the benefits team were helpful and supportive throughout the process. However, there are areas where it would be possible to provide clearer evidence trails and so reduce audit queries and allow work to be completed more quickly. We will liaise on this with officers when planning our work on the 2014/15 benefit claim. For 2014/15 we will also introduce early testing of claims so that certification work can be phased over a longer time period. This may help with workflow for the benefits team.

Amendments in two areas were agreed to the draft claim prior to certification. The impact was to reduce the amount of subsidy claimed by £8803. We reported on a number of other issues to DWP in a qualification letter. Further information on the outcomes from our certification work is provided at Appendices A-C.

Summary of findings

Previous year recommendations

We review action taken on recommendations arising from our previous year certification report. We concluded that the Council had taken appropriate action on the recommendations made in our 2012/13 report.

Additional work in respect of the 2012/13 subsidy claim

In 2012/13 a number of issues arising from sample testing of benefit claims were agreed as errors with officers and reported to DWP using a qualification letter.

In following up these issues in 2013/14 officers concluded that for one case no error had been made and that there was no impact for subsidy purposes. DWP agreed to reconsider the impact on the Council's 2012/13 claim, subject to the Council's evidence being reviewed by the auditor.

We considered the additional evidence presented by the Council. We agreed with the Council's conclusion and reported this to DWP. We understand that the Council's comments have now been accepted by DWP.

Certification fees

The Audit Commission sets an indicative scale fee for certification work at each audited body.

The indicative scale fee for work on the Council's 2013/14 housing benefit subsidy claim reported in our March 2014 audit plan was £13,200. Subsequently the Audit Commission reduced indicative fees for work on the housing benefit subsidy claim by 12 per cent to reflect the removal of council tax benefit from the scheme. The revised indicative scale fee is therefore £11,616.

The Audit Commission indicative scale fee is based on outcomes from work in previous years. Where the work in the current year varies significantly from previous years then auditors can request a fee variation. In 2014/15 the work required to certify the Council's housing benefit subsidy claim was substantially greater than in previous years due to the number of errors identified and the level of additional testing which is then prescribed under the Audit Commission framework. We agreed an additional fee of £14800 with officers to cover this work. We also agreed an additional fee of £1200 for the review of evidence in respect of the issue raised with DWP on the 2012/13 subsidy claim, as this work is not covered by the scale fee.

We are therefore proposing a final fee for our 2013/14 certification work of £27,616. Our proposed fee is subject to approval by the Audit Commission, which is required to approve all variations to the scale fee.

Submission and certification

The Council submitted its draft claim ahead of the date specified by DWP.

Certified claims were due for submission to DWP by 30 November 2014. Due to the volume of work required on this year's claim the actual submission date was 3 December 2014. This had no impact for subsidy purposes.

The way forward

The recommendations arising from our certification work are at Appendix D.

Acknowledgements

We would like to take this opportunity to thank the Council's officers for their assistance and co-operation with our 2013/14 certification work.

Grant Thornton UK LLP
February 2015

Appendices

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Total subsidy claimed (draft claim)	Amended?	Amendment	Qualified?	Comments
Housing benefit subsidy claim	£56,016,833	Yes	- £8,803	Yes	<p>Overall approach</p> <p>The Audit Commission certification framework requires sample testing of benefit claims to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes. Two initial samples are tested (all transactions in year)</p> <ul style="list-style-type: none"> - 20 rent allowance cases - 20 rent rebate (tenants of non-HRA properties) cases <p>Where errors are identified then an additional sample of 40 claims is tested for the issue giving rise to the error.</p> <p>Under the Audit Commission framework auditors are also required to perform sample testing to cover previous year issues and confirm that these do not affect the current year's claim.</p> <p>Where errors are identified and the impact on the claim as a whole can be quantified exactly then the claim is amended. Where the potential impact on subsidy can only be estimated or extrapolated then auditors report this extrapolation to DWP using a qualification letter.</p>

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Total subsidy claimed (draft claim)	Amended?	Amendment	Qualified?	Comments
Housing benefit subsidy claim					<p>Issues reported by Qualification Letter</p> <p>Outcomes from claims testing</p> <p>A summary of the outcomes from certification testing of individual claims is included at Appendices B and C.</p> <p>For those errors where the impact for subsidy purposes could not be quantified exactly then extrapolations were performed and reported to DWP.</p> <p>It is for DWP to decide what action to take on the issues reported via qualification letter. However, the impact of the issues reported in our 2013/14 qualification letter is likely to be limited. Underpayment errors are reported to DWP, and require adjustments for individual claimants, but will have no impact for subsidy purposes as subsidy cannot be claimed for benefit which has not been awarded.</p> <p>For overpayments the aggregate impact of the reported extrapolations would be to increase local authority overpayments (paying nil subsidy) by £8468, with corresponding reductions at other lines paying full subsidy. However, the amount of subsidy receivable for local authority overpayments also depends on the aggregate value of these overpayments relative to a threshold set by DWP. Even after adjusting for the reported extrapolations the value of the Council's local authority overpayments would remain below this DWP threshold, and as such would continue to attract full subsidy.</p>

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Total subsidy claimed (draft claim) (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim					<p>One further error identified from sample testing related to the misclassification of regulated tenancy cases. In this case the value of the extrapolated adjustment was £509,403. However, as the potential adjustment is between two lines both paying full subsidy there would be no net impact on subsidy payable.</p> <p>Reconciliation of benefit granted to benefit paid 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, and to report any unexplained difference.</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 of benefit paid by £27.</p> <p>Issues leading to a claim amendment</p> <p>Non-HRA overpayments In 2014/15 the Audit Commission provided clarification to auditors in cases where local authority housing departments effectively act as the "landlord" for homeless claimants, with funding transferred from the benefit section.</p>

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Total subsidy claimed (draft claim) (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim					<p>Overpayments can arise where homeless claimants vacate temporary accommodation without notifying the authority. In these cases the rent liability ceases the moment the claimant vacates the property. As subsidy cannot be claimed where there is no rent liability, these overpayments should be classified as "technical" overpayments, paying no subsidy.</p> <p>At Swale these payments had been classified as eligible overpayments paying subsidy at 40%. The Council has therefore reviewed all non-HRA overpayments for 2014/15. It was agreed that a total of 37 overpayments should be reclassified as "technical" overpayments.</p> <p>As all relevant claims were reviewed the impact for subsidy purposes could be quantified exactly and the claim amended. The net impact was to reduce subsidy payable by £8798.</p> <p>Non-HRA overpayments: outcomes from sample testing</p> <p>Our testing of an initial sample of 20 non-HRA cases identified one case where the incorrect treatment of service charges had led to an overpayment, and where the overpayment had been incorrectly classified. As there were only a small number of cases with the same potential error these were all reviewed. No further errors were found.</p> <p>As all relevant claims were reviewed the impact for subsidy purposes could be quantified exactly and the claim amended. The net impact was to reduce subsidy payable by £5.</p>

Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
2012/13 Follow up testing			
Under the Audit Commission framework follow up testing was performed in the following areas to address issues arising from our 2012/13 certification work.			
Calculation errors relating to child tax credits	40	0	
Calculation errors relating to non-dependent deductions	40	2	In one case the error had no impact on benefit. In the second case benefit was underpaid and there was no impact on subsidy.
Misclassification of regulated tenancy cases	40	5	Overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.
Incorrect start date for claim	40	1	Underpayment of benefit. No impact of subsidy.

Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Errors identified	
2013/14: Rent allowance initial testing				
Testing was performed on an initial sample of 20 benefit claims. For issues giving rise to errors additional testing was performed as prescribed by the Audit Commission framework.				
Calculation errors relating to capital	1	40	0	Overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to working tax credits	1	40	0	Underpayment of benefit. No impact on subsidy.
Calculation errors relating to child tax credits	1	Additional testing not required as issue already covered by 12/13 follow-up testing		Underpayment of benefit. No impact on subsidy.
Calculation errors relating to earned income	4	40	1	Overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to private pensions	1	40	2	Overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to child care payments	1	40	6	Overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.

Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Errors identified	
<p>2013/14: Rent rebates (tenants of non-HRA properties) initial testing</p> <p>Testing was performed on an initial sample of 20 benefit claims. For issues giving rise to errors additional testing was performed as prescribed by the Audit Commission framework.</p>				
<p>Overpayment classified as claimant error but should have been local authority error.</p>	1	Small population therefore officers decided to review all non-HRA claims with overpayments..	0	As all relevant claims were reviewed the impact for subsidy purposes could be quantified exactly and the claim was amended. The impact was to reduce subsidy payable by £5.
<p>Cases where eligible rent exceeded the LHA cap and the Council had either not applied the full LHA cap or had used an amount lower than the full LHA cap in calculations.</p>	4	In all cases the effect of the errors was to underclaim subsidy. As such under the Audit Commission framework additional testing is not performed.		<p>The issue was reported in the qualification letter to DWP.</p> <p>The issue applied to a limited number of cases with overpayments or part week payments starting in 2012/13. This issue was also noted in our 2012/13 certification report. The Council has amended its procedures from 1 April 2013 to address this issue.</p>

Appendix C: Fees

Claim or return	2012/13 fee	2013/14 indicative fee	2013/14 actual fee*	Variance year on year	Explanation for significant variances
	£	£	£	£	
Housing benefits subsidy claim	11,120	11,616	27,616	16,496	Increased volume of work associated with errors identified in previous year and from initial testing. Additional work to follow up 2012/13 issue at DWP request.
National non-domestic rates return (NNDR3)	1,930	0	0	(1,930)	Auditor certification of NNDR3 return not required for 2013/14.
Total	13,050	11,616	27,616	14,566	
* The 2013/14 actual fee includes a proposed increase to the scale fee. This increase is subject to approval by the Audit Commission, who are required to approve all variations to the scale fee.					

Appendix D: 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
	Housing and council tax benefit subsidy scheme			
1	Officers should consider the nature of the errors identified from certification testing and take action on any training or supervisory issues identified to help reduce errors in future years.	Medium	Training has been carried out by the Assistant Revenues and Benefits Manager to ensure that all assessors are aware of the errors that have been made. Extra resources are being put in to the checking of claims particularly in the areas where errors were found in the 2014/15 audit. Extra staff will also be available to work on the 2014/15 audit to improve the process in the future.	Assistant Revenues and Benefits Manager Additional training already implemented. Increased checking of claims from March 2015.
2	Benefit records for individual claimants should be amended in the current year for all errors identified from 2013/14 certification testing.	Medium	All errors identified from the 2013/14 certification testing will be corrected.	Assistant Revenues and Benefits Manager By 31 March 2015.



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