

# Certification of claims and returns - annual report

Tonbridge & Malling Borough Council

Audit 2010/11



# Contents

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Introduction.....	3
Summary of 2010/11 certification work .....	4
Results of 2010/11 certification work.....	5
Summary of recommendations .....	11
Summary of certification fees .....	13
Appendix 1: Housing & Council tax benefit subsidy claim: Testing of individual cases .....	14

# Introduction

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**Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.**

Under section 28 of the Audit Commission Act 1998 the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns where scheme terms and conditions include a certification requirement. Where such arrangements are made certification instructions issued by the Audit Commission set out the work auditors must complete before giving their certificate.

The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body. The key features of the current arrangements are;

- for claims and returns below £125,000 the Commission does not make certification arrangements and auditors are not required to undertake work;
- for claims and returns between £125,000 and £500,000 auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 auditors perform work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return and decide if they can place reliance on it. Where reliance is placed on the control environment auditors undertake limited tests to agree form entries to underlying records but do not undertake any testing of the eligibility of expenditure or underlying data. Where reliance cannot be placed on the control environment auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing.

Claims and returns are amended in agreement with officers. Where there is disagreement or uncertainty, the Council has not complied with the scheme terms and conditions, or the certification instruction requires specific issues to be reported, then the auditor reports the issues in a qualification letter.

# Summary of 2010/11 certification work

The housing and council tax benefit subsidy claim was certified after agreeing a number of amendments with officers. A qualification letter was used to report on two issues.

We certified both the 2010/11 NNDR3 return and the claim for disabled facilities grant without amendment or qualification.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	3
Number of claims and returns amended due to errors	1
Number of claims and returns where a qualification letter was issued	1
Total cost of certification work	£37,333

We have reported on and agreed our detailed findings with officers during the course of the year. Specific recommendations arising from our work are shown later in this report. There are no additional actions which the Audit Committee needs to take as a result of our work.

# Results of 2010/11 certification work

This section summarises the results of our 2010/11 certification work and highlights the significant issues arising from that work.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit subsidy scheme	36,477	For this claim we do not make an initial assessment of the control environment. The approach agreed with the Department for Work and Pensions (DWP) is to perform detailed case testing at all authorities which administer housing and council tax benefit schemes.	Reduction in subsidy of £5252.	Yes. A qualification letter was used to report on; <ul style="list-style-type: none"> <li>■ a number of underpayments; and</li> <li>■ a minor discrepancy between the amounts for benefit granted and benefit paid on the Council's benefit system.</li> </ul>
National non-domestic rates return (NNDR 3)	47,900	Yes	Nil	No

**Claims between £125,000 and £500,000**

<b>Claim or return</b>	<b>Value of claim or return presented for certification (£'000)</b>	<b>Value of any amendments made</b>	<b>Was a qualification letter issued?</b>
Disabled facilities grant	410	Nil	No

## **Housing and council tax benefit subsidy scheme**

For this claim we complete a work programme agreed between the Audit Commission and DWP.

### ***Testing of benefit cases***

The Audit Commission work programme requires testing of all transactions for a sample of 2010/11 benefit cases to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes.

If we identify an error then additional testing is performed. Additional testing is performed by the Council and covers only for the specific error identified from the initial testing. Where the error could occur in only a small number of cases then the additional testing will cover these cases only and the overall error will be calculated exactly. Where the error could occur in a large number of cases then an additional sample of 40 is tested and an extrapolation performed to calculate the impact on subsidy.

The results from our testing of benefit cases are summarised at Appendix 1. The claim was amended for overpayment errors prior to certification.

The number of errors identified was higher than in 2009/10. Officers should consider the nature of the errors identified in 2010/11 and identify any training, supervisory or systems issues which might help minimise the error rate in future years. In particular a high number of errors were identified in the calculation of the extended payment period, i.e. the four week period when in some cases housing benefit continues to be payable following a return to work or other change of circumstances. Training for assessors in this area should be reviewed. The Council will also need to action amendments on individual claims to correct the errors identified from audit testing.

### ***Application of the LHA cap***

For non-HRA claimants (e.g. bed and breakfast cases) the maximum weekly rent eligible for subsidy is capped for each Local Housing Association area. The subsidy claimable should not exceed the LHA cap.

Testing identified some instances where the subsidy claimed exceeded the weekly cap. Where there was a change in benefit payable the system software applied the subsidy cap separately to the part-week before and the part-week after the change, rather than to the week as a whole. This also happened to all cases in the final week of the financial year, with the system applying the cap to the part week before and the part week after 1 April 2011.

Officers reviewed all non-HRA cases in 2010/11 and identified eight cases where subsidy had been overclaimed. A further overpayment caused by an unrelated error was also identified. The claim was amended prior to certification.

The Council's software supplier has indicated it will provide a "fix" to correct this error. Officers should review all relevant 2011/12 cases prior to installation of the "fix" to ensure subsidy calculations are correct.

### ***Updating of system parameters***

Auditors check that benefit rates used in housing benefit calculations are correctly updated on the Council's system each year.

For 2010/11 we understand that there was a delay in receiving uprating information from DWP for the three categories of war pensions which the Council disregards when calculating housing benefit. When the information was received later in 2010/11 the system was not updated. As a result benefit was overpaid in 39 cases. The subsidy claim was amended prior to certification.

Our testing did not identify any other uprating errors in 2010/11. We understand the Council's system has been updated for the changes to war pension rates required for 2011/12.

### ***Summary of impact on subsidy***

The 2010/11 subsidy claim was amended for errors prior to audit certification. Where appropriate an extrapolation of the impact for subsidy purposes was agreed with officers. A summary of the impact on subsidy is at Table 3

The Council receives 100% subsidy on overpayments due to local authority error or administrative delay up to a certain threshold. For 2010/11 this threshold was £168,145. Some of the overpayments identified from audit testing did not directly reduce subsidy but instead increased the total for local authority overpayments. The amended total for local authority overpayments was £159,117. As this remains below the threshold the Council has continued to receive 100% subsidy on these payments.



Table 3: **Errors identified from testing: Impact on subsidy**

Nature of error	Impact on subsidy £	Overpayments treated as local authority error with no impact on subsidy £
Total subsidy claimed (draft claim)	36,477,253	
Overpayment errors identified from sample testing	(1,843)	(4,195)
Subsidy claimed in excess of LHA cap	(3,219)	
War pension benefit rates not updated	( 190)	
Total subsidy claimed (certified claim)	36,472,001	

***Underpayment of benefit***

Underpayments do not affect the subsidy claim as if benefit has not been paid then there is no eligibility for subsidy. However, the framework agreed with DWP requires auditors to report cases where benefit has been underpaid. Details of the underpayments identified at Appendix 1 have been reported to DWP in a qualification letter dated 28 November 2011.

***Difference between benefit granted and benefit paid on the benefit system subsidy reconciliation***

Under the framework agreed with DWP auditors are required to check that benefit granted has been reconciled to benefit paid on the Council's subsidy system.

On the 2010/11 reconciliation report the total for benefit paid was lower than the total for benefit granted by £1219. The difference related to a single case. It was not clear how the transactions on this case led to the difference recorded on the system. A review confirmed that the subsidy claimed for this case had been correctly calculated.

The difference was reported to DWP in the qualification letter dated 28 November 2011.

# Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
<b>Housing and council tax benefit subsidy scheme</b>				
Officers should consider the nature of the errors identified in 2010/11 and identify any training, supervisory or systems issues which might minimise the error rate in future years.	H	Yes	31 January 2012	A Rosevear
Training for assessors in the calculation of benefit for extended payment periods should be reviewed.	H	Yes – problem specific to three new starters from March 2010. Only one of these members of staff remain. Instructions and guidance will be given to that member of staff	31 January 2012	A Rosevear
Amendments are required to correct the errors on individual claims identified from 2010/11 audit testing.	H	Yes	31 January 2012	A Rosevear

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
For some cases in 2010/11 the subsidy claimed exceeded the LHA cap on eligible rent due to a software problem. Officers should also review all relevant cases in 2011/12 prior to installation of a software “fix” to ensure subsidy calculations are correct.	M	Yes	By 31 March 2012 if software fix is not available by then.	A Rosevear

# Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 5: Summary of certification fees

Claim or return	2010/11 fee £	2009/10 fee £	Comment
Housing and council tax benefit scheme	34,200	28,516	Additional work was required as a higher number of errors were identified from audit testing in 2010/11.
National non-domestic rates return (NNDR3)	1,424	3,584	Under the Audit Commission framework auditors are required to perform more detailed testing at least once every three years on claims and returns > £500,000. This more detailed testing was required on the NNDR3 return in 2009/10, but not in 2010/11.
Disabled facilities	666	976	
Grants reporting	1,043	1,043	Auditors are required to report annually to those charged with governance and to provide information on grant claim work to the Audit Commission.
<b>Total</b>	<b>37,333</b>	<b>34,119</b>	

# Appendix 1: Housing & Council tax benefit subsidy claim: Testing of individual cases

Benefit type	Number of cases tested in initial sample	Errors identified from initial testing	Number of additional cases tested for the error identified from initial testing	Number of errors identified from additional testing
Rent Allowances	20	7		
		<b>1: Overpayment</b> Benefit overstated by £22 as the rent used for calculation purposes included charges for warden support which should have been excluded.	40	None
		<b>2: Overpayment</b> Benefit overstated by £13 as the wrong amount had been used for carer's allowance.	40	None
		<b>3: Overpayment</b> Benefit overstated by £85 as there was an error in the	40	14

Benefit type	Number of cases tested in initial sample	Errors identified from initial testing	Number of additional cases tested for the error identified from initial testing	Number of errors identified from additional testing
		calculation of the “extended payment period”.		
		<b>4: Overpayment</b> Benefit overstated by £1 as the wrong amount had been entered for claimant income.	40	None
		<b>5: No impact on entitlement</b> Further error in case 4 as the wrong amount had been entered for child tax credit.	40	1
		<b>6: Underpayment</b> Further error in case 4 as benefit had been underpaid by £126 because working tax credit had been included from the wrong date.	Covered by sample testing at 5 above.	
		<b>7: Underpayment</b> Benefit underpaid by £30 because the amount entered for earned income was incorrect.	Covered by sample testing at 4 above.	

Benefit type	Number of cases tested in initial sample	Errors identified from initial testing	Number of additional cases tested for the error identified from initial testing	Number of errors identified from additional testing
Council tax benefit	20	2		
		<p><b>1: Overpayment</b> Benefit overstated by £144 as single person discount had not been applied following notification that a non-dependent had moved out of the property.</p>	40	2
		<p><b>2: Underpayment</b> Benefit underpaid by £127 as the liability was shared between the claimant and non-dependents and the calculation to apportion liability was incorrect.</p>	40	None



Benefit type	Number of cases tested in initial sample	Errors identified from initial testing	Number of additional cases tested for the error identified from initial testing	Number of errors identified from additional testing
Non HRA rent rebate	10	<b>3</b> <b>1: Subsidy overclaimed</b> Subsidy overclaimed by £113 as the LHA cap had been applied incorrectly due to a software error.	Remaining 33 cases (total population 43 cases)	7
		<b>2: Overpayment</b> Benefit overstated by £4 as the wrong amount had been entered for earned income.	Remaining 6 cases where the claimant earned income.	None
		<b>3: Overpayment</b> Further error in case 2 as benefit overstated by £25 because the wrong starting date was used for entitlement to job seekers allowance.	Remaining 33 cases	1

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

