



Report to the Audit and Scrutiny Committee

BRENTWOOD BOROUGH COUNCIL

GRANTS AND RETURNS

Audit Completion: year ended 31 March 2020

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INTRODUCTION

Grant Certification Work

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2020.

Grant claims and returns are not within the scope of our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return. These assurance reviews are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has engaged us to carry out the following for the year ended 31 March 2020:

- ‘Agreed-upon procedures’, based on the instructions and guidance provided by the Department for Work and Pensions (DWP), of the form MPF720A - Statement of Authority claimed entitlement to Housing Benefit.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

David Eagles, Partner
for and on behalf of **BDO LLP**
29 June 2021

The contents of this report relate only to those matters which came to our attention during the conduct of our agreed procedures which are designed primarily for the purpose of expressing a conclusion or reporting the results of our work on the grants and returns subject to certification. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

This table shows the details of the grant claim and return subject to certification by us for the financial year ended 31 March 2020.

Where our work identified issues which resulted in either an amendment and / or a qualification or reported exception, further information is provided on the following pages.

Claim or return	Value of return	Qualification / exceptions	Amended	Submission date	Impact of amendments
Housing benefit subsidy	£10,410,541	Yes	No	27 May 2021	No amendments were made to the claim form. <i>NB: May be subject to further adjustments by DWP of £8,428 as a result of extrapolated errors.</i>



FEES

Executive summary

The fees for this work are shown below:

Claim or return	2018/19 Actual fee	2019/20 Planned fee	2019/20 Actual fee
Housing benefit subsidy	£20,350	£14,850	£14,850



HOUSING BENEFITS SUBSIDY

Scheme requirements

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £10,410,541.

The final return was not amended.

Findings

Our audit of 40 individual claimant files highlighted errors the Council made in administering benefit and calculating subsidy entitlement.

The guidance requires that auditors undertake extended testing of 40 additional cases with similar characteristics ('40+ testing') if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported ('CAKE' testing). The results of this testing are extrapolated across the population to estimate a potential error amount. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this as an observation in our qualification letter.

Initial testing identified one new area of testing (HRA rent liability).

Initial testing identified one further error where additional testing was already performed as part of CAKE (Rent Allowance rent liability).

Initial testing identified one error of a type that would always result in an underpayment of benefit, and therefore no further testing was required

8 other areas were tested as a result of being reported as prior year issues (Rent Allowance rent liability, Rent Allowance earned income, Non-HRA Rent liability and Non-HRA LHA rate, Non-HRA earned income, HRA earned income, Non-HRA child tax credits, HRA tax credits).

A summary of our findings can be found on the following pages.

The final claim did not require any amendments.

However, the potential impact resulting from the extrapolated errors, if DWP was minded to finalise the subsidy based on these findings, would impact the claim form by £8,428 (Rent Allowance earned income: £349 projected understatement of local authority overpayments, Rent Allowance rent liability: £8,079 projected understatement of local authority overpayments).

Our work was completed and the claim was certified on 27 May 2021. This was before the 31 May 2021 extension obtained by the Council.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Incorrect Cell 102 Rent Liability

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19, testing identified errors in the rental liability used in the assessment of claims, resulting in overpayments of benefit.

Initial sample testing of Rent Allowance claims, also found one error of this nature, where incorrect input of the rent liability resulted in Cell 102 being overstated by £62.75.

Additional testing

Due to the errors reported in the previous year, and the error found in the initial testing, the council were required to undertake 40+ testing on Rent Allowance cases in Cell 102.

This additional testing identified one case where the rent liability had not been updated following a rent review, resulting in an overpayment of £775.32.

Impact

Based on our extrapolation of the overpayment error identified, we estimated the Council incorrectly recognised £8,079 (0.29% error rate on population of £2,785,897) in cells attracting full subsidy that should have been recognised in nil subsidy cells.

If DWP decide to adjust for the extrapolated error reported subsidy would be reduced by £8,079. However, DWP does provide an allowance within the subsidy system to recover local authority errors.

HOUSING BENEFITS SUBSIDY

Rent Allowances: Earned Income

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19 it was identified that the Council had incorrectly assessed earned income elements, resulting in an underpayment of benefit.

No errors of this nature were identified in the initial testing of Rent Allowance cases.

Additional testing

Due to the errors reported in the previous year, the council were required to undertake additional 40+ testing on Rent Allowance earned income calculations.

One error was identified that resulted in benefit being underpaid by £11.68.

Two errors were identified that resulted in benefit being overpaid. Cell 099 is overstated by £33.55 and Cell 103 is overstated by £1.03. Cell 114 is understated by £1.03 due to an eligible overpayment being incurred in the same period.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

Based on our extrapolation of the overpayment error identified, we estimated the Council incorrectly recognised £349 (0.02% error rate on population of £1,746,682) in cells attracting full subsidy that should have been recognised in nil subsidy cells.

HOUSING BENEFITS SUBSIDY

Non-HRA Rent Rebates: Rent Liability

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19 it was identified that the Council had applied the incorrect rental liability, resulting in overpayments of benefit.

No errors of this nature were identified in the initial testing of non-HRA rent rebate cases.

Additional testing

The Local Authority were required to test an additional sample of 40 cases from Cell 011 to ensure the rent liability was correct.

This additional testing identified two cases where the rent liability has been input incorrectly and this has led to a total underpayment of £165.82.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as an error for subsidy purposes.

However, as errors of this nature could result in overpaid benefit, Cell 011 Rent Liability will require testing as part of CAKE in the 2020/21 year.

HOUSING BENEFITS SUBSIDY

HRA Rent Rebates: Rent Liability

Reporting matter

Adjusted

Unadjusted error

Errors

Testing of our initial sample of HRA rent rebate cases identified one case where the incorrect eligible rent figure was used in the calculation. This resulted in benefit being underpaid by £0.82.

Additional testing

As errors of this nature could result in overpayments, the Local Authority was required to undertake additional testing on 40 cases in Cell 055 to ensure the rent liability figure was correct.

This additional testing identified no errors.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as an error for subsidy purposes.

However, as errors of this nature could result in overpaid benefit, Cell 055 Rent Liability will require testing as part of CAKE in the 2020/21 year.

HOUSING BENEFITS SUBSIDY

HRA Rent Rebates: Earned Income

Reporting matter

Adjusted

Unadjusted error

Errors

In 2018/19 it was identified that the Council had incorrectly assessed earned income elements, resulting in underpayments of benefit.

No errors of this nature were identified in the initial testing of HRA rent rebate cases.

Additional testing

Due to the errors reported in the previous year, the council were required to undertake additional 40+ testing on HRA earned income calculations.

This additional testing identified one case where the earned income had been calculated incorrectly and this has led to a total understatement of £0.22 in the overpayment Cell 067 and in the headline cell 055.

Impact

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments that have been identified do not affect subsidy.

However, as there continues to be errors in the assessment of earned income, 40+ testing will be required in 2020/21.

HOUSING BENEFITS SUBSIDY



The following CAKE tests have returned no errors and are considered as closed:

- Non HRA Rent Rebates - Incorrect Child Tax Credits
- Non HRA Rent Rebates - Earned Income Error
- Non HRA Rent Rebates - Incorrect LHA rate used in calculation
- HRA Rent Rebates - Incorrect Child and Working Tax Credits.

RECOMMENDATIONS AND ACTION PLAN

Area / observation	Recommendation	Management response
Housing benefits subsidy		
<p>As a result of the additional testing on Cell 94 Earned Income, we discovered that in one claim, child benefit had not been treated correctly leading to an overstatement in Cell 103 of £76.12.</p> <p>As this error was unrelated to the earnings attribute being tested, it was not treated as an error and no further work was performed.</p>	<p>Although no testing is required on this issue, we recommend that the Council look at the nature of the error, and take appropriate steps to avoid further errors being identified in the treatment of child benefit amounts in the benefit assessment.</p>	



FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the review of grants claims and returns are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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