



SOUTHEND ON SEA BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014

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INTRODUCTION

THE PURPOSE OF THIS REPORT

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2014.

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed. Sample sizes used in the work on the housing and council tax benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

During 2013/14, we have also acted as a reporting accountant in respect of a return for which the Audit Commission did not make certification arrangements. In this instance, we have followed the Reporting Accountant guidance issued by Teachers' Pensions, which was subject to consultation with all firms within the Audit Commission regime. Further details are provided under the specific claim or return on page 4.

A summary of the fees charged for certification work for the year ended 31 March 2014 is shown to the right.

Appendix I of this report (page 6) shows the Council's progress against the action plan included in our 2012/13 Grant Claims and Returns Certification report (presented to Audit Committee on 26 March 2014).

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

FEES	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing and council tax benefit subsidy	28,379	29,635 ¹
Pooling of housing capital receipts	1,195	1,195
<i>Sub-total: Audit Commission regime scale</i>	29,574	30,830
Teachers' pension fund	6,950 ²	8,145
TOTAL FEES	36,524	38,975

¹ A fee variation has been requested from the Audit Commission. This is the proposed variation and will not be final until it has been agreed with the Audit Commission.

The scale fee for the Housing and Council Tax benefit subsidy is based upon the 2011/12 audit outturn where we only identified seven certification issues which necessitated completion of additional testing under the prescribed methodology. In 2013/14, however, we identified fourteen such certification issues necessitating completion of additional "40 plus" or 100% checks of particular claim entries. Consequently, additional audit resource was needed to complete re-performance work and draft the qualification letter.

²The fee included in the engagement letter was based upon the estimated number of hours required to complete the work included in the Reporting Accountants guidance.

The actual hours taken to audit the claim form are slightly more than the estimate. This is due to the extra work required, due to the errors we identified in our testing, which have been explained in more detail on page 4.

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	VALUE OF DRAFT CLAIM (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing and council tax benefit subsidy	£93,637,190	Yes	Yes	£40,134 decrease in amount payable
Pooled housing capital receipts	£1,593,709	No	Yes	£1,609 decrease in the amount payable
Teachers' pension fund	£7,475,478	No	Yes	£202 decrease in total contributions

Detailed Findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2014. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan in respect of these matters is included at Appendix II of this report on page 9.

Housing and council tax benefit subsidy

Local authorities responsible for managing housing benefit schemes 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 methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.

Findings and impact on claim

During our initial testing of a sample of 40 cases covering all types of benefits, fourteen errors were identified. These resulted in ten separate areas requiring “40+” testing and four areas of 100% testing, as required by the methodology agreed with the Department for Work and Pensions (DWP). This methodology requires that, for situations where errors are identified that cannot be concluded as isolated, extended testing of an additional sample of 40 cases is required. Where there is a small population a 100% check is undertaken.

“40+” testing was completed on the following areas:

40+ testing	Results
Cell 61: rent rebates - standard income (Errors identified in relation to standard cases excluding earned income, i.e. those not assessed on IS/JSA, including the uprating of state retirement pension and the incorrect input of a claimants private occupational pension)	Additional errors identified where amounts had not been input correctly, resulting in an overpayment of benefit. Extrapolated overpayment error of £42,292 reported in the Qualification Letter.
Cell 61: rent rebates - earned income (Claimants earned income had been incorrectly recorded)	Additional errors identified where amounts had not been input correctly, resulting in an overpayment of benefit. Extrapolated overpayment error of £2,398 reported in the Qualification Letter.
Cell 61: rent rebates - extended payments (an extended payment had been incorrectly included in Cell 61)	No further errors were identified from the extended testing. We therefore concluded this as satisfactory.

Housing and council tax benefit subsidy	Findings and impact on claim	
	Cell 66: rent rebates- technical overpayments (Eligible overpayments or claimant error overpayments had been incorrectly classified as technical overpayments)	Additional errors identified where overpayments were incorrectly classified, resulting in misclassification of expenditure. Extrapolated misclassification error of £19,038 reported in the Qualification Letter.
	Cell 113: rent allowances - LA error and administrative delay excess benefit (During last year's audit we identified that a number of eligible overpayments had been misclassified as LA error. The guidance requires us to carry out 40 plus testing because of this.)	Additional errors identified where overpayments were incorrectly classified, resulting in misclassification of expenditure. Extrapolated overpayment error of £50,769 reported in the Qualification Letter.
	Cell 114: rent allowances - Eligible overpayments (LA error overpayments had been incorrectly classified as eligible overpayments)	Additional errors identified where overpayments were incorrectly classified, resulting in misclassification of expenditure. Extrapolated misclassification error of £53,800 reported in the Qualification Letter.
	Cell 121: rent allowances - Eligible overpayments prior year (LA error overpayments had been incorrectly classified as eligible overpayments)	Additional errors identified where overpayments were incorrectly classified, resulting in misclassification of expenditure. Extrapolated misclassification error of £12,357 reported in the Qualification Letter.
	Cell 94: rent allowances - standard income (Errors identified in relation to standard cases excluding earned income, i.e. those not assessed on IS/JSA, where the income had been incorrectly entered)	Additional errors identified where amounts had not been input correctly, resulting in an overpayment of benefit. Extrapolated overpayment error of £13,288 reported in the Qualification Letter.

Housing and council tax benefit subsidy

Findings and impact on claim

Cell 94: rent allowances - earned income (Claimants earned income had been incorrectly recorded)	Additional errors identified where amounts had not been input correctly, resulting in an overpayment of benefit. Extrapolated misclassification error of £191 reported in the Qualification Letter.
Cell 94: rent rebates - extended payments (an extended payment had been incorrectly included in Cell 94)	No further errors were identified from the extended testing. We therefore concluded this as satisfactory.

“100%” testing was completed on the following areas:

100% testing	Results
Cell 94: rent allowances, all tenants of properties owned by Southend on Sea Darby and Joan Organisation Ltd (where the incorrect rent liability had been used).	One further case was identified as an error, however as this resulted in an understatement of benefit. The claim form was amended for the original errors identified.
Cell 214: Modified schemes: all benefit types (Various errors identified where claimants had failed to respond to the Councils request for up to date information).	Additional errors were identified from the testing carried out. In three cases the impact could not be determined as the supporting information was not available. In one case an error of £16 was identified the claim form was amended for this error.
Uncashed Cheques (Various issues identified: uncashed cheques had been included at the incorrect value, the cheque had been raised and cancelled in the same year)	Additional errors were identified and the claim form was amended.

Four lots of ‘40 +’ testing were undertaken on the misclassification of overpayments. Similar issues have been found in previous years on the classification of overpayments. The Council should focus on those areas with the highest error rates, which were Rent Rebates - Technical Overpayments and Rent Allowances.

Four lots of '40 +' testing were undertaken on standard income cases and those specifically that had earned income. Similar errors were identified in the previous year. Error rates were much smaller than for the overpayments testing. . This should continue to be monitored/ checked. As there are a large number of cases processed by the Council, even a small error rate, could result in a large extrapolation for the Council and result in the Council breaching the overpayments threshold.

In the previous two years the errors identified from our testing of the claim form resulted in the Council breaching the overpayments threshold. This means that the Council loses subsidy on all or part of the Local Authority Error and Administrative Delay overpayments. This resulted in the Council losing £716k of subsidy in 2013/14 and £389k in 2012/13. The Council did not breach this threshold this year, as a result was able to claim 100% subsidy for these types of overpayments. Although the Council did not breach the overpayment threshold in the current year, the focus for the Council should be on reducing the number of Local Authority error and Administrative Delay overpayments. The Council should continue with their checks on the accuracy of the data input (reducing the number of LA errors) and ensure that they are up to date with the processing of changes in circumstances (reducing the administrative delay overpayments).

The overall control environment around the Housing and Council Tax benefit system, and for the preparation of the benefits grant claim, is considered to be generally sound. However, our testing found an increased number of errors, although this should be viewed in the context of the technical nature and large volume of caseload the benefits team process.

These issues have been reported to the DWP in a qualification letter, as required by the Audit Commission's methodology.

Pooling of housing capital receipts

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received. The information in these returns is subject to certification on an annual basis.

Findings and impact on return

The claim was unqualified. Some amendments were made to the draft claim provided for audit:

- Reclassification of property sales between quarters.
- The removal of the repayment discount from the claim form as it was below £10,000, the CI only requires discounts above £10,000 to be included in the claim form.
- An amendment to one property to include the correct 1999 valuation figure.

These were minor amendments. The impact was to decrease the amount payable by £1,609.

Teachers' pension fund

Local authorities which employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to Teachers' Pensions (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa. The Audit Commission did not make certification arrangements for this claim form. We followed the Reporting Accountant guidance issued by Teachers' Pensions, which was subject to consultation with all firms within the Audit Commission regime.

Findings and impact on return

Overall the process for completing the claim form and providing supporting working papers had improved since the previous year. Resulting in an unqualified claim. Some amendments were made to the draft claim provided for audit:

- We identified a transposition error between the two sections in the claim form which meant that the Employers contributions and the Teachers Contributions were included in the incorrect columns in section 3.
- There were some small differences between the values included in the supporting documentation and the claim form.
- Where teachers had received a TLR3 payment during the year, this had not been taken into account when calculating the tier that the individuals were in.
- Refunds (in respect of previous years) had not been included in the draft claim form.

The total contributions decreased by £202.

The Teachers' Pensions Reporting Accountants guidance was not issued until 27 October. As a result, Teachers Pension extended the deadline until the end of December 2014. The claim form was submitted in line with this revised timetable.



APPENDICES

APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

HOUSING AND COUNCIL TAX BENEFITS						
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	ACTION COMPLETED
1. Re-enforce key messages from Training provided in Jan 2013.	High	Agreed - issue to be reiterated at team Leader meetings and through team meetings	Asst Benefit Managers	February 2014 & ongoing	Completed in Feb14 and is an on-going agenda item.	Yes
2. Carry out regular checking of a number of claims to ensure that: <ul style="list-style-type: none"> Income has been input correctly. Overpayments have been correctly classified. 	High	<p>Additional resource introduced on checking claims 5 days a week to support quality assurance team and increase the volumes checked</p> <p>Team leaders to check high value Admin Delay overpayments to check correctly classified. To be reviewed regularly by Asst. Benefit Manager.</p>	<p>Asst Benefit Managers</p> <p>Team Leaders & Asst Benefit Manager</p>	<p>January 2014</p> <p>January 2014</p>	<p>We understand that this has been in place since Jan 14 as a result we still found errors in the 2013/14 claim.</p> <p>Checking of income and the classification of overpayments needs to continue.</p>	No
3. Check a sample of claims during the period from March - Dec 13. Ensure that any amendments are made before the claim form is run.	High	Additional resource introduced on checking claims 5 days a week to support quality assurance team and increase the volumes checked by	Asst Benefit Manager	Implemented and ongoing	A number of areas were checked prior to the audit of the claim form.	Yes

HOUSING AND COUNCIL TAX BENEFITS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	ACTION COMPLETED
		time of External Auditors sampling.				
4. Carry out 40 plus testing in the areas where errors were identified, during 2012/13, to enable timely completion of the audit.	High	This will be done by quality assurance team by time of External Auditors sampling.	Asst Benefit Manager	Implemented and ongoing	Completed June 14, Audit completed by the deadline.	Yes
5. Review a sample of uncashed cheques included within cell 179 to ensure that they are appropriately included in this cell.	Medium	Agreed will be added as a task for the QA team.	Asst Benefit Manager & Quality Assurance Team	June 2014	Testing had been carried out to ensure that all items included had been stopped in the financial year. However other errors were identified with uncashed cheques. This needs to be carried forward for the 2014/15 audit.	No
6. Regularly monitor the value and number of LA error/ administrative delay errors and the days taken to process amendments.	High	To be covered by QA team and Team Leaders and reported monthly to Revenues & Benefits meeting.	Quality Assurance Team & Asst Benefit Manager	Implemented February 2014	A report is provided monthly to the S151 Officer and discussed at the monthly Revenues and Benefits Meetings. Performance indicators have been set to monitor the time taken to	Yes

HOUSING AND COUNCIL TAX BENEFITS


RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	ACTION COMPLETED
					process amendments.	
7. Consider the need of re-directing resources where delays in processing are identified.	High	Agreed. Where delays are identified additional resources will be put in place to reduce processing times.	GM - Benefits	Implemented and ongoing	This is discussed at the monthly Revenues and Benefits meetings. Additional resources have been used during 2014/15 to reduce the backlog.	Yes
8. Ensure that up to date information is held for all claimants. In particular, write to claimants where they are in receipt of war pensions or private pensions. (these are the cases where information tends to be old or out of date).	High	<p>New claims data has now been transferred from Iclipse</p> <p>A plan is being drafted to write to all affected claims to get up to date evidence onto Civica.</p> <p>Claims where War Pensions and/or private pension affect the calculation of benefit to be written to, to request current evidence of income.</p>	Asst Benefits Manager	<p>Completed</p> <p>Completed February 2014</p> <p>February 2014</p>	All claimants in receipt of war widows pensions or private pensions were written to and the system updated.	Yes

TEACHERS' PENSIONS							
RECOMMENDATIONS		PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	ACTION COMPLETED
1.	Agree form EOYCd with Teachers' Pensions and submit the form to the external auditors for certification by no later the deadline specified by Teachers' Pensions.	Medium	Agreed. Return to be submitted in line with deadline.	Sue Putt Group Manager	To be provided by Teachers pensions	Claim form received on 28 May when it was submitted to Teachers Pension	Yes
2.	Maintain working papers to support form EOYCd. These should be clearly cross-referenced to both the final version of form EOYCd and appropriate supporting evidence (e.g. reports from the Agresso payroll system, documentation to support adjustments).	High	Clear process to be put in place for any paperwork undertaken. Automation of processes to be developed within Agresso to minimise paper requirements.	Sue Putt Group Manager	January 2014, test run in February 2014.	Figures included in the claim form were supported by reports provided by the payroll system. A clear trail of working papers is now kept to support the claim.	Yes
3.	Arrange for form EOYCd, the supporting working papers and associated evidence to be independently reviewed prior to submission to the external auditors for certification.	High	Reports being developed to ensure they meet the required needs of the EOYCd. Academies and Community Schools to be separated on reports.	Sue Putt Group Manager	January 2014, test run in February 2014.	Figures included in the claim form were supported by reports provided by the payroll system. A clear trail of working papers is now kept to support the claim.	Yes

TEACHERS' PENSIONS							
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	ACTION COMPLETED	
4. Carry out a dry run of compiling the claim form at month six to ensure that all evidence is available to support the entries.	Medium	A test run will be completed to ensure all processes are in place and reports accurate.	Sue Putt Group Manager	January 2014, test run in February 2014.	Figures included in the claim form were supported by reports provided by the payroll system. A clear trail of working papers is now kept to support the claim.	Yes	

APPENDIX II: 2013/14 ACTION PLAN

TEACHERS PENSIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>1. Our testing identified some prior year refunds that had not been included in the claim form provided for audit.</p> <p>The Council had to review each of the HR files to identify if the refund related to the current or previous year.</p>	Record the details of the period the refund related to on the HR system.	Low	Recording of refunds will be put in place.	Sue Putt Group Manager	February 2015
2. Our testing identified that the TLR3 payment was not taken into account when calculating the tier in which individuals were included within.	Set up Agresso to take account of the TLR3 payments. Ensure that any new pay scales set by Teachers' Pension are set up correctly on the system.	Medium	Agreed. Agresso will be amended accordingly.	Sue Putt Group Manager	April 2015



The matters raised in our report prepared in connection with the audit 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 company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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