

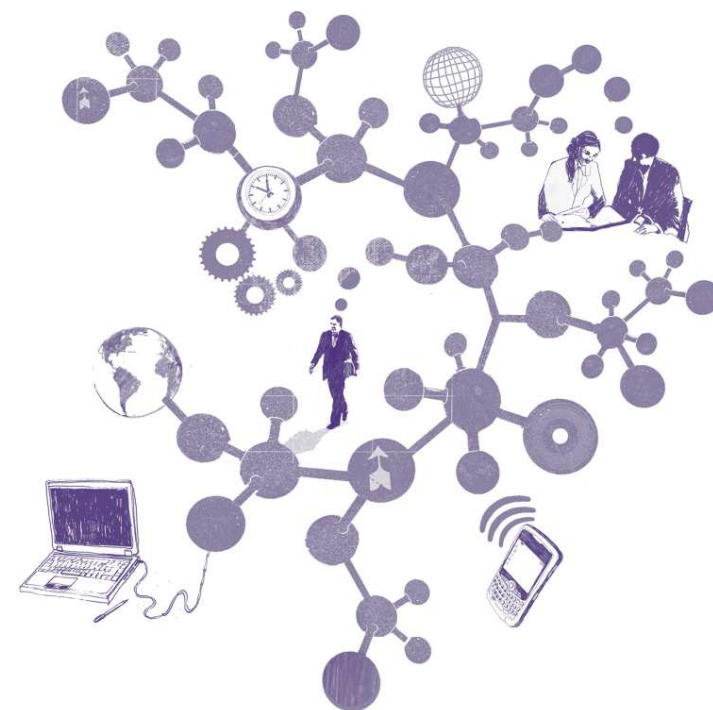
Certification report 2013/14 for Exeter City Council

Year ended 31 March 2014

30 January 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 Exeter City 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 2013/14:

- Pooled capital receipts (£2m); and
- Housing Benefits (£41m).

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 (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan which we presented to the Audit and Governance Committee in September 2014.

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 and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Both returns were submitted to us on time and we completed our work in accordance with the national timetables.	● Green
Accuracy of claim forms submitted to the auditor	There were no issues with the pooled capital receipts return. However, we identified a large number of errors during our Housing Benefits testing and issued a qualified report.	● Red
Supporting working papers	The Council's records management for Housing Benefits created additional pressures during our work. The Council began the year with one electronic (DIP) system, before reverting to a manual system and then introducing a new electronic filing system.	● Red

Certification fees

The indicative certification fee is set by the Audit Commission.

The fee for 2013/14 for Exeter City Council is based on the final 2011/12 certification fee, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Similarly, the fees for 2012/13 were set by the Audit Commission using 2010/11 as a base year.

Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed from the baseline fee and the fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix C.

Our testing on the Council's Housing Benefits return identified a large number of errors and, in accordance with the audit approach set out by the Audit Commission and the Department for Works and Pensions (DWP) a considerable amount of additional testing needed to be undertaken with a consequent increase in the audit fees. The Audit Commission approve all fee variations that take place. We have submitted a fee variation to the Audit Commission in relation to the additional work that we were required to complete on the Housing Benefit's claim. We are currently awaiting confirmation of this by the Audit Commission.

The way forward

We identified a number of issues during our Housing Benefits testing. The Council has agreed to review these and will report its responses to our findings and its proposed actions at the next Audit and Governance Committee meeting on 11 March 2015.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
January 2015

Appendices

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

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim	£41m	Yes	£582	Yes	<p>We identified a large number of errors during our testing and these are covered in appendix B. Whilst some of these are small in terms of value, the volume of errors identified suggests that the Council's quality assurance arrangements could be improved.</p> <p>In some areas tested, there was a small population which we were able to review in full to establish the total error. The claim was reduced by £582 for these cases.</p> <p>In other areas, the population was too large to test in full and so the error identified was extrapolated across the whole population. Extrapolation of these errors would lead to a total reduction of the subsidy claimed of £36,574.</p>
Capital receipts return	£2m	No	None	No	

Appendix B: Errors identified during the housing benefits testing

Area	Issues Identified
Rent Rebates (Tenants of Non Housing Revenue Account (HRA) Properties)	Overpayment of benefit arose as a result of a duplicate payment of £146 being made to a claimant.
Rent Rebates (Tenants of Non-HRA Properties)	Overpayment arose as a result of Income Support benefit included in a claim where there was no evidence of the claimant's continuing entitlement to this benefit as their entitlement had ceased.
Rent Rebates (Tenants of HRA Properties)	Insufficient evidence was obtained to support the earnings income for claimants in five of the sixty cases we tested. Claimants verbally advise changes to their income but the Council should follow this up by subsequently requesting documentary evidence to support the income amounts. This was not done. It is important to note that insufficient evidence can potentially cause the DWP to determine the entire claim to be invalid and thus not pay the subsidy to the Council.
Rent Rebates (Tenants of HRA Properties).	Incorrect treatment of Employment and Support Allowance (ESA) income resulting in incorrect calculation of housing benefits including overpayments.
Rent Allowances	Housing benefits were underpaid as a result of incorrect rent adjustments being made. An interim adjustment had been entered on the claims whilst the rent was referred to the Rent Officer (RO). This interim adjustment should have been removed once the final RO decision was entered, but it was not.
Rent Allowances	Incorrect calculation of self employment income for claimants as a result of errors in the way such income is apportioned over the period for which benefits are claimed. The system incorrectly excluded the final date for the period entered so calculations were reduced by a day, resulting in overstated self employment income and therefore underpaid housing benefit.

Appendix B cont'd: Errors identified during the housing benefits testing

Area	Issues Identified
Rent Allowances	Housing benefit overpaid as a result of incorrect amount entered for ineligible rent deductions.
Rent Allowances	Overpayment of housing benefits identified as a result of an incorrect rent amount being entered for the claimant following a change in tenancy.
Rent Allowances	<p>A number of errors were identified in respect of the calculation of claimant's weekly income amounts for student loans. There are specific rules for how and over what period the annual student loan should be apportioned to a weekly figure for housing benefit purposes. However in a number of cases these guidelines were not followed, resulting in incorrect housing benefit being paid.</p> <p>Additionally our testing identified an instance where the claimant had provided a revised student loan amount but this was not reflected in the claim.</p>
Rent Allowances	A number of errors were identified in the entry and calculation of claimant's earnings income used in their housing benefit calculation. This included back-dated increase not being applied resulting in overpaid benefits, and incorrect amounts being entered in the system from the evidence provided by the claimant.
Rent Allowances	Misclassification within the subsidy claim arose as a result of the system incorrectly treating prior year underpayments and adjustments.

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	£12,370	£11,879	£21,467*	£9,097	Our initial testing identified a large number of errors. The audit approach mandated by the Audit Commission and DWP means that a significant amount of additional testing was required in order to certify the claim.
Capital receipts return	£1,481	£1,501	£1,501	£20	
Total	£13,851	£13,380	£22,968	£9,117	

* The actual fee has yet to be determined by the Audit Commission. We will advise the Audit and Governance Committee of the final agreed fee.

Appendix D: Glossary of terms

Term	Explanation
Pooled Capital Receipts Return	Local authorities pay part of a housing capital receipt into a national pool run by the Department of Communities and Local Government (DCLG). A pooled capital receipts return is made quarterly to DCLG detailing the capital receipts for that quarter and the amounts due to this national pool. The annual return is subject to certification by External Auditors.
Rent Rebates (tenants of non-HRA properties)	Housing benefit awards that reduce the rent payable to the local authority on properties which belong or are leased by the local authority but do not form part of the council's Housing Revenue Account (HRA). Typically this will be in respect of homeless and short term accommodation.
Rent Rebates (tenants of HRA properties)	Housing benefit awards that reduce the rent payable to the council in respect of their properties held within the Housing Revenue Account (HRA).
Rent Allowances	Housing benefits payable to claimants in third-party owned accommodation.
Rent Officer	Rent officers are part of the Valuation Office Agency (VOA) who provides third-party valuation of fair rents due in respect of a property. The fair value may not be less than the rent actually paid, but it can never exceed it. Housing benefit guidance has specific requirements for when a Rent Officer valuation is required in assessing the benefit claim.



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