

# Certification report 2015/16 for Swale Borough Council

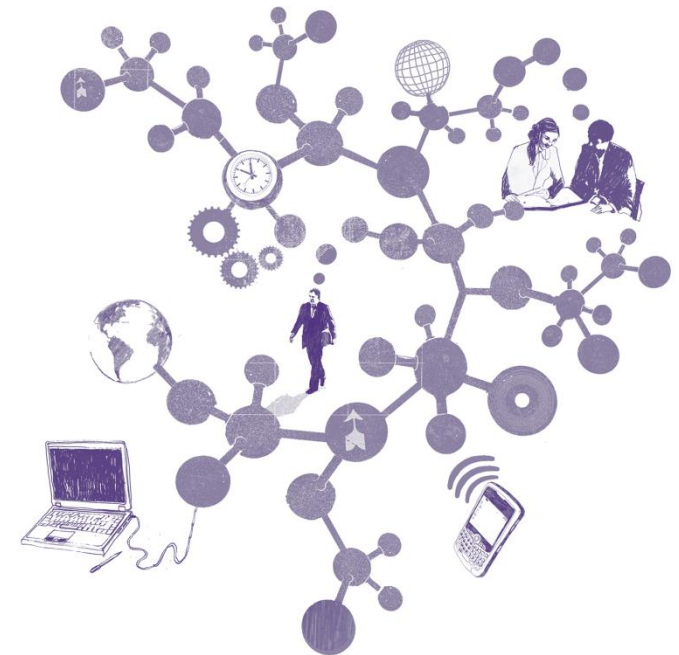
---

**Year ended 31 March 2016**

February 2017

Iain Murray  
Engagement Lead  
T 020 7728 3262  
E [iain.g.murray@uk.gt.com](mailto:iain.g.murray@uk.gt.com)

Trevor Greenlee  
Manager  
T 01293 554071  
E [trevor.greenlee@uk.gt.com](mailto:trevor.greenlee@uk.gt.com)



---

# Contents

<b>Section</b>	<b>Page</b>
1. Summary of findings	3
<b>Appendices</b>	
A Work performed 2015/16	7
B Outcomes from testing of benefits claims	9
C Fees	13
D Action Plan	14

---

# Section 1: Summary of findings



## 01. Summary of findings

# Summary of findings

## Introduction

Certain claims and returns submitted by local authorities require auditor certification to help confirm the authority's entitlement to funding.

For 2015/16 the only claim requiring auditor certification at Swale Borough Council ('the Council') was the Council's claim for housing benefit subsidy.

Auditors are required to report the outcomes of certification work to those charged with governance. This report summarises the outcomes from our certification work on the Council's housing benefit subsidy claim for 2015/16.

## Approach and context to certification

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies.

Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT (the framework used for the certification of housing benefit subsidy claims) issued by the Audit Commission in February 2015.

Our certification work has been completed using the HB COUNT framework.

In 2015/16 the Council's draft claim was for housing benefit subsidy of £55.2m, based on benefit granted of £55.6m.

## Key messages

The Council's draft and final certified claims for housing benefit subsidy were submitted within the deadlines specified by the Department for Work and Pensions (DWP).

The 2015/16 claim was amended prior to certification. The impact of the amendments was to reduce total subsidy claimed by £26.

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 Appendix A.

## Previous year recommendations

We review action taken on recommendations arising from our previous year certification report. We concluded that you had taken appropriate action on the recommendations made in our 2014/15 report.

## Certification fees

For each Council an indicative scale fee for certification work is set by PSAA.

# Summary of findings

The 2015/16 indicative scale fee for the Council's housing benefit subsidy claim reported in our audit plan of June 2016 was £20,710. This indicative fee was based on the outcomes from the certification work for 2013/14, at that time the most recent information available.

In 2015/16 follow-up testing has been required in respect of errors first identified in previous years, together with additional testing on a small number of errors identified from our 2015/16 initial testing. Given the overall level of work required we are proposing a final fee of £26,700 for our 2015/16 certification work.

Our proposed fee has been agreed with the Head of Finance. The variation to the fee is also subject to approval by PSAA, which is required to approve all variations to the scale fee. We are currently waiting final approval from PSAA.

## **The way forward**

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

## **Acknowledgements**

We would like to take this opportunity to thank officers for their assistance and co-operation with our 2015/16 certification work.

**Grant Thornton UK LLP**  
**February 2017**

# Appendices

# Appendix A: Work performed 2015/16

Claim or return	Comments
<p>Housing benefit subsidy claim</p>	<p><b>Overall approach</b></p> <p>The PSAA 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"> <li>- 20 rent allowance cases</li> <li>- 20 rent rebate (tenants of non-HRA properties) cases.</li> </ul> <p>Where errors are identified from this initial testing, and there is not enough information to agree a claim amendment or assess the impact of the error across the population as a whole, then additional testing is performed (either on a further sample of 40 cases, or on all relevant cases, depending on the number of cases where the error could have occurred) for the issue giving rise to the error.</p> <p>Under the PSAA 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 the impact of errors can be quantified exactly then the claim is amended. Where the potential impact on subsidy can only be estimated or extrapolated then the issue is reported to DWP using a qualification letter.</p>

## Appendix A: Work performed 2015/16

Claim or return	Comments
<p>Housing benefit subsidy claim (continued)</p>	<p><b>Outcomes from claims testing</b></p> <p>A summary of the outcomes from our 2015/16 certification testing of individual claims is included at Appendix B.</p> <p>For errors where the impact for subsidy purposes cannot be quantified exactly then extrapolations are performed and reported to DWP using a qualification letter. It is for DWP to decide what action to take on the issues reported. However, the issues reported in our 2015/16 qualification letter as below are unlikely to have a significant impact on subsidy payable.</p> <p>(a) 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>(b) For rent allowances the aggregate impact of the reported extrapolations would be to increase local authority overpayments (paying nil subsidy) by £29,961, 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 those overpayments relative to a threshold set by DWP. After adjusting for the reported extrapolations the value of local authority overpayments would remain below this DWP threshold, and as such would continue to attract full subsidy.</p> <p>(c) For non HRA rent rebates the impact would be to increase the amount at cell 13 (paying nil subsidy) by £696, with a corresponding reduction at cell 12 (paying full subsidy).</p>



## Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
<b>2014/15 Follow up testing: Rent allowances</b>			
Follow up testing was performed in the following areas to address issues arising from our 2014/15 certification work.			NB: Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded.
Calculation errors relating to capital	40	0	
Calculation errors relating to child care payments	40	4	Two cases resulted in an underpayment of benefit and two cases in an overpayment. For the overpayment cases the impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to child tax credits	40	3	Two cases resulted in an underpayment of benefit and one case in an overpayment. For the overpayment the impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to working tax credits	40	1	One case resulted in an overpayment of benefit. For this case the impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to earned income	40	5	Four cases resulted in an underpayment of benefit and one case in an overpayment. For the overpayment the impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to private pensions	40	1	One case resulted in an overpayment of benefit. For this case the impact across all relevant claims was extrapolated and reported to DWP.

## Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
<b>2014/15 Follow up testing: Non HRA</b>			
Follow up testing was performed in the following areas to address issues arising from our 2014/15 certification work.			NB: Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded.
Errors where the authority had underclaimed subsidy because, although eligible rent exceeded the LHA cap, the authority had not applied the full LHA cap, or had used an amount lower than the full LHA cap in calculations.	40	7	<p>In four cases amounts claimed at either cell 12 or cell 14 had been understated due to errors in applying the LHA cap.</p> <p>In three cases payments had been included at cell 12, paying 100% subsidy, but should have been included at cell 13, paying nil subsidy. The impact was extrapolated and reported to DWP.</p>

## Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Differences identified	
<b>2015/16 Initial testing: Rent Allowances</b>				
Testing was performed on an initial sample of 20 benefit claims.				
This testing identified the following errors requiring further work;				
Calculation errors relating to Carer's Premium	1	40	0	One case resulted in an overpayment of benefit. For this case the impact across all relevant claims was extrapolated and reported to DWP.
Rent liability incorrect as based on incorrect LHA rate	1	40	0	One case resulted in an underpayment of benefit. Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded.
Incorrect application of the protection period for LHA rate tenants	1	Not required	N/A	The applicable rent used to calculate benefit will exceed the LHA rate where a protection period applies. In this case because a protection period was not applied applicable rent was set at the (lower) LHA rate and as a result benefit was understated.  Failure to apply a protection period will always result in an underpayment of benefit. For errors which will always lead to an underpayment no additional testing is required under the HBCOUNT framework.

## Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Errors identified	
<p><b>2014/15 Initial testing: Rent rebates (tenants of non-HRA properties)</b></p> <p>Testing was performed on an initial sample of 20 benefit claims.</p> <p>This testing identified the following errors requiring additional testing;</p>				
<p>Errors where the authority had underclaimed subsidy because, although eligible rent exceeded the LHA cap, the authority had not applied the full LHA cap, or had used an amount lower than the full LHA cap, in calculations.</p>	2	None, as already covered by testing in respect of previous year errors.	N/A	<p>In two cases payments had been included at cell 12, paying 100% subsidy, but should have been included at cell 13, paying nil subsidy.</p> <p>The impact was extrapolated and reported to DWP (combined with the outcomes from the testing in respect of previous year errors).</p>
<p>Wrong end date applied to claim.</p>	1	30 (i.e. all relevant cases)	1	<p>As the whole population was tested the impact of the errors could be calculated exactly and the claim amended. The impact of the claim amendment was to reduce subsidy claimed by £26.</p>

## Appendix C: Fees

Claim or return	2014/15 fee	2015/16 indicative fee	2016/16 actual fee*	Variance with previous year	Explanation for variance
	£	£	£	£	
Housing benefit subsidy claim	24,790	20,710	26,700	1,910	Follow up testing required in respect of previous year errors, together with additional work on errors identified from 2015/16 initial testing.
<b>Total</b>	24,790	20,710	26,700	1,910	
* The 2015/16 actual fee includes a proposed increase to the indicative scale fee. This increase is subject to approval by PSAA 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
	<b>Housing benefit subsidy scheme</b>			
1	Officers should consider the nature of the errors identified from certification testing and consider the need for any training or supervision to help reduce errors in future years.	Medium	Training will be carried out to help reduce errors in the future	Revenues and Benefits Manager
2	Benefit records for individual claimants should be amended in the current year for all errors identified from 2015/16 certification testing.	Medium	All benefit records for individual claimants have been amended for all errors identified from 2015/16 certification testing.	Revenues and Benefits Manager Already completed.



© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**