

Certification Report

Year ending 31 March 2018

Swale Borough Council
February 2019



Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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 2017/18 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 2017/18.

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 Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

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

In 2017/18 the Council's draft claim was for housing benefit subsidy of £51.2m.

Key messages

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

Following our certification work there were only minor amendments to the subsidy claim. The net impact was to reduce the amount of subsidy claimed by £111.

Our testing for a sample of cases identified a small number of errors. Under the HB Count framework we extrapolated the potential impact of these errors on the overall claim and reported this to DWP using a qualification letter. It is for DWP to decide on any actions arising out of the qualification letter. However, should the extrapolations be applied in full the impact would be to reduce subsidy by £148.

Further information on the outcomes from our certification work is provided at Appendices A and B.

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 2016/17 report.

Certification fees

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

The 2017/18 indicative scale fee for the Council's housing benefit subsidy claim reported in our Audit Plan of February 2018 was £23,626.

We are not proposing any amendment to the indicative scale fee. Our final fee for the 2017/18 certification work will therefore be £23,626 (Appendix C).

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 2017/18 certification work.

Grant Thornton UK LLP

February 2019

Appendices

Appendix A: Work performed 2017/18

Claim or return	Comments
<p>Housing benefit subsidy claim</p>	<p>Overall approach</p> <p>The PSAA HB COUNT 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"> - 20 rent allowance cases - 20 rent rebate (tenants of non-HRA properties) cases. <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 2017/18 (cont.)

Claim or return	Comments
<p>Housing benefit subsidy claim (continued)</p>	<p>Claim Amendments</p> <p>Minor amendments to the 2017/18 claim were agreed as follows;</p> <p>(a) A trail to support an amount of £111 for uncashed payments could not be provided. It was agreed to remove this amount from the claim.</p> <p>(b) Minor negative amounts at two cells were moved to other cells on the claim form. There was no impact on subsidy.</p> <p>Outcomes from claims testing</p> <p>A summary of the outcomes from our 2017/18 testing of individual claims is included at Appendix B.</p> <p>(a) We identified a number of underpayments. We report these to DWP, but the errors have no impact for subsidy purposes as subsidy cannot be claimed for benefit which has not been awarded.</p> <p>(b) For errors where the impact on subsidy cannot be quantified exactly then we extrapolate the impact on the claim and report this to DWP using a qualification letter. It is for DWP to decide on any further action required.</p> <p>In 2017/18 we identified four issues requiring extrapolations. For two issues the extrapolations increased the total for local authority overpayments, but as this total remained below a threshold set by DWP there was no potential impact on subsidy. The impact of applying the two remaining extrapolations would be to reduce subsidy claimed by £148.</p>

Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
Follow up testing was performed in the following areas to address issues arising from our 2016/17 certification work.			
2016/17 Follow up testing: Rent allowances			
Calculation errors relating to working tax credits	40	0	
Calculation errors relating to earned income	40	9	Six cases resulted in an overpayment of benefit and three cases in an overpayment. For the overpayments the impact across all relevant claims was extrapolated and reported to DWP.
2016/17 Follow up testing: Non HRA			
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	0	

Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Errors identified	
2017/18 Initial testing: Rent Allowances				
Testing on an initial sample of 20 benefit cases identified the following errors;				
Extended payment awarded although the relevant criteria had not been met.	1	40	0	The error resulted in an overpayment; the impact was extrapolated and reported to DWP.
2017/18 Initial testing: Rent rebates (tenants of non-HRA properties)				
Testing on an initial sample of 20 benefit cases identified the following errors;				
Calculation errors relating to earned income.	1	40	2	Two errors had no impact on benefit. The remaining error led to an overpayment; the impact was extrapolated and reported to DWP.
Dependent's allowance incorrectly calculated.	1	40	0	The error led to an underpayment of benefit.
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.	1	Not required		No further testing as already covered by 40+ follow-up testing of previous year issue. The error identified from initial testing led to an overclaiming of subsidy; the impact was extrapolated and reported to DWP.

Appendix C: Fees

Claim or return	2016/17 fee	2017/18 indicative fee	2017/18 actual fee	Variance with previous year	Explanation for variance
	£	£	£	£	
Housing benefit subsidy claim	18,611	23,626	23,626	+5015	Increase in PSAA scale fee to reflect additional work associated with error cases.
Total	18,611	23,626	23,626	+5015	

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
	Housing benefit subsidy scheme			
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 2017/18 certification testing.	Medium	All benefit records for individual claimants have been amended for all errors identified from 2017/18 certification testing.	Revenues and Benefits Manager



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