

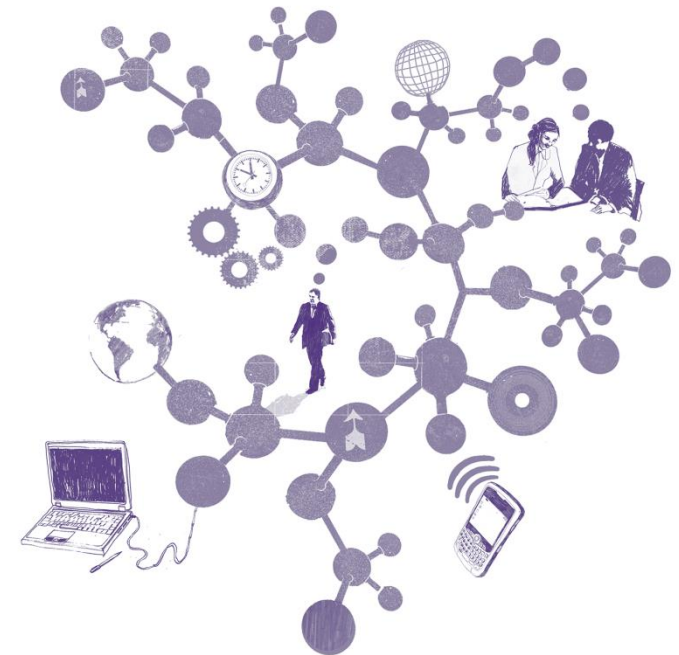
Certification report 2014/15 for Swale Borough Council

Year ended 31 March 2015

February 2016

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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 Swale Borough Council. Auditor certification is an important part of the process to confirm your entitlement to funding.

This report summarises the outcomes from our certification work for 2014/15.

Approach and context to certification

Prior to its abolition on 31 March 2015 certification arrangements were prescribed by the Audit Commission. Under these arrangements the Audit Commission agreed the scope of work with the relevant government department or agency and issued auditors with a Certification Instruction (CI) for each claim or return.

In 2014/15 only one claim required auditor certification at Swale Borough Council, your claim for Housing Benefit Subsidy, based on total expenditure (benefit granted) of £56.3m.

From 1 April 2015 arrangements for the certification of claims for housing benefit subsidy are prescribed by Public Sector Audit Appointments (PSAA).

Auditors are required to report the outcomes of certification work to those charged with governance.

Key messages

The overall volume of work required to complete certification of the housing benefit subsidy claim in 2014/15 was similar to that for 2013/14. This was due mainly to the level of follow-up testing required under the CI issued under the PSAA framework relating to issues first identified in 2013/14. Further information about the work we performed is included in Appendix A.

We reported on the outcomes from our certification work to the Department of Work and Pensions (DWP) in a qualification letter. Further information about the outcomes from our certification work is provided in Appendices A-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 2013/14 report.

Certification fees

Prior to its abolition the Audit Commission set indicative scale fees for certification work at each audited body. The 2014/15 indicative scale fee for your housing benefit subsidy claim was £9,790 as reported in our audit plan of March 2015.

Summary of findings

The Audit Commission indicative scale fee for 2014/15 was based on the outcomes from certification work for 2012/13, at that time the most recent information available.

The work required to certify your housing benefit subsidy claim in 2013/14 was substantially greater than in previous years due to the number of errors identified and the level of additional testing which was required. We agreed a total fee of £27,616 for certification work in 2013/14.

The CI requires us to carry out follow-up testing of issues identified in previous years. This has significantly increased the work required to certify the claim in 2014/15 compared with the level of work on which the indicative scale fee was based. To take account of this additional work we are proposing a final fee of £24,790 for our 2014/15 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.

Submission and certification

Your draft and final audited claims for Housing Benefit Subsidy were submitted within the deadlines specified by (DWP).

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 2014/15 certification work.

Grant Thornton UK LLP
February 2016

Appendices

Appendix A: Details of claims and returns certified for 2014/15

Claim or return	Comments
<p>Housing benefit subsidy claim</p>	<p>Overall approach</p> <p>The certification instruction (CI) issued by the Audit Commission/PSAA 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 then an additional sample of 40 claims is tested for the issue giving rise to the error.</p> <p>Auditors are also required to perform sample testing of 40 claims to address previous year issues and confirm that these do not affect the current year's claim.</p> <p>Where errors are identified and the impact on the claim as a whole can be quantified exactly then the claim is amended. Where the potential impact on subsidy can only be estimated or extrapolated then auditors report this extrapolation to DWP in a qualification letter.</p>

Appendix A: Details of claims and returns certified for 2014/15

Claim or return	Comments
<p>Housing benefit subsidy claim (continued)</p>	<p>Outcomes from claims testing</p> <p>A summary of the outcomes from our 2014/15 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.</p> <p>It is likely that the issues reported in our 2014/15 qualification letter will have limited impact on subsidy payable. 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>For overpayments the aggregate impact of the reported extrapolations would be to increase local authority overpayments (paying nil subsidy) by £78,349, 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 your local authority overpayments would remain below this DWP threshold, and as such would continue to attract full subsidy.</p> <p>One further error reported in the qualification letter related to the misclassification of regulated tenancy cases. In this case the value of the extrapolated adjustment was £151,672. However, as the potential adjustment is between two lines both paying full subsidy there is no net impact on subsidy payable.</p>

Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
2013/14 Follow up testing: Rent allowances			
Follow up testing was performed in the following areas to address issues arising from our 2013/14 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	1	The error had no impact on benefit.
Calculation errors relating to child care payments	40	3	In all cases there was an overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to child tax credits	40	4	In all cases there was an overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to working tax credits	40	2	One case resulted in an underpayment of benefit and one case an overpayment. For the overpayment the impact across all relevant claims was extrapolated and reported to DWP.
Calculation errors relating to earned income	40	10	Five cases resulted in an underpayment of benefit and five cases an overpayment. For the overpayments the impact across all relevant claims was extrapolated and reported to DWP.

Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
2013/14 Follow up testing: Rent allowances (cont.)			
Under the Audit Commission/PSAA framework follow up testing was performed in the following areas to address issues arising from our 2013/14 certification work.			
Calculation errors relating to non-dependent deductions	40	0	
Calculation errors relating to private pensions	40	2	In both cases there was an overpayment of benefit. The impact across all relevant claims was extrapolated and reported to DWP.
Misclassification of expenditure: regulated tenancies	40	3	The impact was to misclassify expenditure between cells. The issue was reported to DWP, but as the potential adjustment is between two lines both paying full subsidy there is no net impact on subsidy payable.
Assessment based on incorrect start date for claim	40	0	

Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
2013/14 Follow up testing: Non HRA			
Under the Audit Commission/PSAA framework follow up testing was performed in the following areas to address issues arising from our 2013/14 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	5	In all cases cell 12 (paying 100% subsidy) was overstated and cell 13 (paying nil subsidy) was understated. The impact across all relevant claims was extrapolated and reported to DWP.

Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Differences identified	
<p>2014/15 Initial testing: Rent Allowances</p> <p>Testing was performed on an initial sample of 20 benefit claims.</p> <p>This testing identified the following errors requiring further work;</p>				
<p>In one case the amount for self-employed income differed between screens on the Academy housing benefit system.</p> <p>For the purposes of identifying any potential impact for subsidy purposes it was assumed that if income at the "household and income frame" was lower than that input by assessors at the "self-employed" frame, benefit would potentially be overpaid.</p> <p>Testing to compare the amounts was performed for an additional sample of 40 cases.</p>	1	40	15	<p>The additional testing identified 15 differences. The impact for subsidy purposes was extrapolated and reported to DWP.</p> <p>NB: The issue of amounts not displaying correctly in the "household and income frame" was corrected by an Academy systems release which was installed in September 2014.</p>

Appendix B: Outcomes from testing of benefit claims

	Initial testing: Errors identified	Additional testing sample	Additional testing: Errors identified	
<p>2014/15 Initial testing: Rent rebates (tenants of non-HRA properties) in</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>	6	None, as already covered by testing in respect of previous year errors	N/A	<p>Five cases where cell 12 (paying 100% subsidy) was overstated and cell 13 (paying nil subsidy) was understated. One case where cell 12 understated and cell 13 overstated.</p> <p>The impact across all relevant claims was extrapolated and reported to DWP (combined with the outcomes from testing in respect of previous year errors)</p>
<p>Calculation errors relating to meal allowances.</p>	2	40	2	<p>Errors had no impact on subsidy.</p>

Appendix C: Fees

Claim or return	2013/14 fee	2014/15 indicative fee	2014/15 actual fee*	Variance year on year	Explanation for significant variances
	£	£	£	£	
Housing benefit subsidy claim	27,616	9,790	24,790	(2,826)	Reduction in work arising from 2014/15 initial testing, although additional work required to address errors identified in the previous year.
Total	27,616	9,790	24,790	(2,826)	
* The 2014/15 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
	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 30 April 2016
2	Benefit records for individual claimants should be amended in the current year for all errors identified from 2014/15 certification testing.	Medium	All benefit records for individual claimants have been amended for all errors identified from 2014/15 certification testing.	Revenues and Benefits Manager Already completed.



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