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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 Mole Valley District 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 £21.8m, based on benefit granted of £21.9m.

Key messages

A number of minor amendments were made to the 2015/16 claim prior to certification. The aggregate impact of these amendments had no impact on total subsidy claimed.

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 work. We concluded that you had taken appropriate action on the issues raised.

Certification fees

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

The 2015/16 indicative scale fee for the Council's housing benefit subsidy claim reported in our audit plan of March 2016 was £10,626. This indicative fee was based on the outcomes from the certification work for 2013/14, at that time the most recent information available.

Summary of findings

In 2013/14 no errors were identified from our initial testing and therefore no additional work was required. In 2015/16 follow-up testing has been required in respect of a number of errors first identified in 2014/15.

Also, where additional testing requires the completion of PSAA workbooks the HBCOUNT guidance anticipates that these will first be completed by authorities and then subject to auditor review. Given resourcing pressures within the benefits section the Council requested us to assist with the completion of one workbook for 2015/16.

Given the overall level of work required we are proposing a final fee of £21,600 for our 2015/16 certification work. Our proposed fee has been agreed with the Chief Finance Officer. 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

The Council submitted its draft claim ahead of the date specified by DWP.

Certified claims were due for submission to DWP by 30 November 2016. Due to the volume of work required on this year's claim the actual submission date was 8 December 2016. This had no impact for subsidy purposes.

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

Housing Benefit Subsidy Claim

Overall approach

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)

- 20 rent allowance cases
- 20 rent rebate (tenants of non-HRA properties) cases.

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.

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.

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.

Appendix A: Work performed 2015/16

Housing Benefit Subsidy Claim

Rent allowances

Initial testing

Our testing of the initial sample of 20 rent allowance cases for 2015/16 did not identify any errors.

Additional testing

Additional work in 2015/16 was only required in respect of previous year issues. Our work on the Council's 2014/15 subsidy claim identified a number of rent allowance cases with the following errors;

- calculation errors relating to state retirement pension
- calculation errors relating to earned income
- incorrect LHA rate applied

Therefore under the HBCOUNT framework additional work to cover these issues was required in 2015/16.

A summary of the outcomes from our follow-up testing in respect of previous year issues is at Appendix B. Only one error was identified where the potential impact for subsidy purposes had to be extrapolated and reported to DWP using a qualification letter. The net impact of the extrapolation was to move £111 from a cell paying full subsidy to the cell for local authority overpayments (which pays nil subsidy). However, the amount of subsidy receivable for local authority overpayments also depends on the aggregate value of overpayments relative to a threshold set by DWP. After adding £111 the total value of local authority overpayments for the Council remains below this DWP threshold, and therefore all local authority overpayments would continue to attract full subsidy.

Our 2014/15 work identified one case where the incorrect LHA rate had been applied as a previous year LHA rate had been carried forward and used in the current year. Officers subsequently analysed the movements on LHA rates for all areas and types of property. Our review of this work confirmed that, other than for one claim, any potential error in 2015/16 would lead to an underpayment rather than an overpayment, and as such would not require additional testing under the HBCOUNT framework. We confirmed that no error had occurred for the one claim where an error could have produced an overpayment.

Appendix A: Work performed 2015/16

Housing Benefit Subsidy Claim

Non HRA

Initial testing

Our testing of the initial sample of 20 non-HRA cases for 2015/16 did not identify any errors.

Additional testing

Additional work in 2015/16 was only required in respect of previous year issues. Our work on the Council's 2014/15 subsidy claim identified a number of non-HRA cases with the following errors;

- calculation errors relating to earned income
- calculation errors relating to child tax credit

Additional work to cover these issues was required in 2015/16.

A summary of the outcomes from our follow-up testing in respect of previous year issues is at Appendix B. Only one error was identified. As the impact of the error could be calculated exactly the claim was amended. The amendments had no impact on total subsidy claimed

Appendix B: Outcomes from testing of benefit claims

	Cases tested	Errors identified	
2014/15 Follow up testing			
Follow up testing was performed in the following areas to address issues arising from our 2014/15 certification work.			
<i>Rent allowances</i>			
Calculation errors relating to state retirement pension	40	0	
Calculation errors relating to earned income	40	2	<p>One error resulted in an underpayment of benefit. Where testing identifies that benefit has been underpaid there is no error for subsidy purposes as subsidy cannot be claimed on benefit that has not been awarded.</p> <p>One error resulted in an overpayment of benefit. For this case the impact across all relevant claims was extrapolated and reported to DWP.</p>
<i>Non HRA</i>			
Calculation errors relating to earned income	31 (i.e. all relevant cases)	0	
Calculation errors relating to child tax credit	30 (i.e. all relevant cases)	1	As the whole population was tested the impact of the errors could be calculated exactly and the claim amended. The aggregate impact of these amendments had no impact on the amount of subsidy claimed.

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	18,760	10,626	21,600	2,840	Follow up testing required in respect of previous year errors and auditor assistance with completion of PSAA workbook.
Total	18,760	10,626	21,600	2,840	
* 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
	Housing benefit subsidy scheme			
1	Officers should review the errors identified from 2015/16 certification testing to identify if there are any underlying training issues. Where these are identified then the relevant training or support should be provided.	Medium	Following a review of the errors that were identified during the 2015/16 certification testing, refresher training on these specific areas identified will be implemented.	31.03.2017 – Ben Moreton, Benefits Team Leader
2	Benefit records for individual claimants should be amended in the current year for all errors identified from 2015/16 certification testing.	Medium	All errors identified from 2015/16 certification testing will be adjusted to correctly represent the claimant’s entitlement and subsidy position for each calculation.	31.03.2017 – Chris Chandler, Benefits Systems & Development Officer



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