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Dear Tim

Certification work for Bath and North East Somerset Council for year ended 31 March 2016

We are required to certify certain claims and returns submitted by Bath and North East Somerset 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 one return, the Housing Benefit return, for the financial year 2015/16 relating to expenditure of £53.1 million. Further details of the claim certified are set out in Appendix A.

Whilst we are satisfied that the Council has appropriate arrangements to compile a complete, accurate and timely return for audit certification, there were issues arising from our certification work which we wish to highlight for your attention and which are set out below.

Issues arising:

- In previous years we have identified a number of issues in relation to rent rebates for non-HRA properties e.g. bed and breakfast. In accordance with HB Count rules, as the population size was below 100, work was undertaken to test all 44 cases in 2015/16. Of these 44 cases, only one error was identified, which related to an underpayment. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.
- Cell 102: Rent Allowances – cases excluded from requirement to refer to the rent officer. No errors were identified in our initial sample. However, as reported in the 2014-15 qualification letter, our testing in prior years identified that rental liability in Cell 102 was incorrectly stated, where these are updated manually. Consequently, 40+ testing was again required in 2015-16.

Our testing of a random sample of 40 claims identified one underpayment and one overpayment (value £281). The extrapolated impact arising from this error was £6,293.

Chartered Accountants

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- Cell 94 – Rent allowances, with earned income. We reported in the 2014/15 qualification letter that we had identified 12 errors where earned income was incorrectly recorded or miscalculated in relation to rent allowance claims. For 2015/16, our initial testing of the initial identified one underpayment and one case where the associated income was incorrectly recorded or miscalculated, but did not affect the underlying entitlement. However, testing of an additional 40 cases identified six additional errors where the Authority had miscalculated the claimant's income of which four were overpayments (£22).

The extrapolated impact arising from this error was £1,336.

- Cell 94 – Rent allowances, with child care costs. Testing of the initial sample of 20 cases identified one error resulting in an overpayment (£34). Our testing was therefore extended and a further 18 errors were identified, of which six resulted in overpayments (£392).

The extrapolated error arising from these errors was £3,274.

- Cell 94 – Rent allowances, with state pension and/or occupational pension. Testing of the original sample of 20 cases identified two errors resulting in overpayments and one case where there was no evidence to support the claimant's associated income, which for the purpose of housing benefit certification is treated as an error (total overpayments (£716). Testing of a further 40 cases, identified four further 'overpayments' due to lack of evidence, four overpayments due to miscalculations and seven underpayments. The total error was £5,419.

The extrapolated error arising from these errors was £101,862.

A small number of other errors resulting in underpayments or no change in entitlement were also identified.

All of these issues were reported in our qualification letter addressed to the Department for Work and Pensions (DWP). DWP subsequently wrote to the Council seeking its views on the issues raised. The Council responded to the letter, noting that those cases with a lack of evidence of pensions have been followed up and appropriate evidence obtained and requested that we undertake further work so that we could review the newly obtained evidence. DWP agreed to this request.

We have completed our work and, based on the further evidence, the actual error reduced to £2,327 (originally £5,419) and the extrapolated error reduced to £43,008 (originally £101,862).

The indicative fee for 2015/16 for the Council is based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. The indicative scale fee set by Public Sector Audit Appointments for the Council for 2015/16 is £16,760. We are not varying from the indicative fee. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

| Claim or return | Value | Amended? | Amendment (£) | Qualified? | Comments |
|--------------------------------|--------------|-----------------|----------------------|-------------------|---|
| Housing benefits subsidy claim | £53,082,062 | Yes | +745 | Yes | Increase in rent rebates subsidy of £745. |

Appendix B: Fees for 2015/16 certification work

| Claim or return | 2013/14 fee (£) | 2014/15 fee (£) | 2015/16 indicative fee (£) | 2015/16 actual fee (£) | Variance (£) | Explanation for variances |
|--|----------------------------|----------------------------|---|---------------------------------------|-------------------------|----------------------------------|
| Housing benefits subsidy claim (BEN01) | 22,349 | 18,340 | 16,760 | 16,760 | Nil | Not applicable |