



# Grant Thornton

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Dear Donna

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## **Certification work for Bath and North East Somerset Council for year ended 31 March 2018**

We are required to certify the Housing Benefit subsidy claim 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.

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

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £38.642 million. Further details are set out in Appendix A.

As with previous years, we identified a large number of issues from our certification work, further details are provided in Appendix A. A number of the errors from the extended testing this year are consistent with errors found in previous years. There was one new area where we identified errors, in relation to Working Tax Credit Disregard. We draw to your attention that the extrapolated financial impact on the claim, which we have reported to the DWP, was relatively significant to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the final 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £16,760. Due to the additional work required to address the issues we identified, we are seeking a variation of £1,257, which will make the actual fee for the year £18,017, which is subject to confirmation from PSAA. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended	Amendment value	Qualified	Comments
Housing benefits subsidy claim	£38,642,455	Yes	£(8,573)	Yes	See below

### Findings from certification of housing benefits subsidy claim

#### **Cross cutting qualification issues**

Our review of the uprating of system parameters identified a number of instances where income categories were uprated to two penny per week above expectations, due to the Northgate system applying a percentage uprating. This income is fully disregarded when calculating housing benefits, hence there is no impact of this error on subsidy claimed.

Our review of the uprating of system parameters also identified five categories of unearned income where the 2016/17 allowance rates continued to be applied. This error was due to the system not uprating incomes where the default marker was not selected. Three income types were fully disregarded when calculating housing benefits, hence there is no impact of this error on subsidy claimed. In relation to ESA(SC) and ESA(WR), further testing was undertaken and a manual amendment of £23.55 was made to the claim.

#### **Earned income**

We identified errors in one class of benefit where earned income was incorrectly stated. As a result of the errors, claimants' income was misstated and benefit miscalculated. We identified:

- 5 errors out of 60 cases where earned income was incorrectly stated in respect of Rent Allowances, leading to an extrapolated overpayment of £25,779.

#### **Childcare costs**

We identified errors in one class of benefit where childcare costs were incorrectly stated. As a result of the errors, claimants' income was misstated and benefit miscalculated. We identified:

- 8 errors out of 60 cases where childcare costs were incorrectly stated, or the Authority did not have sufficient evidence to support the childcare costs, in respect of rent allowances, leading to an extrapolated overpayment of £40,511.

#### **State and Occupational Pension**

We identified errors in one class of benefit where state and occupational pensions were miscalculated, or did not have sufficient evidence to support one or more elements of pension income. As a result of the errors, claimants' income was misstated and benefit miscalculated. We identified:

- 5 errors out of 60 cases where state and occupational pensions were miscalculated, in respect of Rent Allowances, leading to an extrapolated overpayment of £95,224.

#### **Working Tax Credit Disregard**

We identified errors in one class of benefit where the Authority had applied working tax credit disregard when the claimant did not satisfy the criteria for receiving the disregard. As a result of the errors, claimants' income was misstated and benefit miscalculated. We identified:

- 2 errors out of 60 cases where the Authority had applied working tax credit disregard to the claim when the claimant did not satisfy the criteria for receiving the disregard, in respect of Rent Allowances, leading to an extrapolated overpayment of £25,779.

### **Claimants transferring to Universal Credit**

We identified errors in one class of benefit where claimants had moved to universal credit, and an overpayment occurred as a result of late notification of the change. The Authority classified the subsequent overpayment as an eligible overpayment, but should have classified the overpayment as DWP error. As a result of the errors, expenditure was classified incorrectly. Officers were able to review the whole of the population and we agreed the (net) amendment of £1,280 required to the claim as a result.

### **Rent Rebates**

We identified a number of errors within the population of Rent Rebates. Officers were able to review the whole of the population and we agreed the (net) amendment of £259 required to the claim as a result.

### **Observations**

We identified errors in one class of benefit where no impact on subsidy was noted and therefore have not been classified as errors for subsidy purposes.

- 2 cases where benefit was underpaid due to the Authority failing to update the rental liability, in respect of Rent Allowances.
- 2 cases where there was no impact on subsidy due to the Authority failing to update the rental liability, in respect of Rent Allowances.

### **Recommended actions for officers**

We recommend that the Council as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing.

Appendix B: Fees for 2017/18 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£16,760	£16,760	£18,017	£1,257	Additional testing required for new errors (Working Tax Credit) and a further 100% test for classification of Universal Credit which resulted in amendment.
Total	£16,760	£16,760	£18,017	£1,257	