

## **Grant Thornton Certification report for SSDC**

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### **Purpose of the report**

This report introduces the annual report from our external auditors Grant Thornton on their findings from the signing off of the Housing Benefit Subsidy Claim for 2013/14.

### **Recommendations**

The Audit Committee is asked to:

- (1) Note the contents of the Certification of Claim Report for 2013/14.
- (2) Note that SSDC is appealing the extrapolation process with the Department for Work and Pensions (DWP).

### **Introduction**

The Certification of Claims Report is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider the effectiveness of SSDC’s risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action has been taken”

“To consider the reports of external audit and inspection agencies and seek assurance from management that action has been taken”

### **Grant Claim**

The external auditors certify the subsidy claim for the Housing Benefit Scheme. The report from Grant Thornton is attached at Appendix A. The total claim was £45,936,089 and through the audit process £231,021 is required as an amendment to the claim. This sum is due to be paid to the Department for Work and Pensions (DWP).

The areas where errors were found were:-

- Earned income.
- Classification of overpayments

The 21 errors (15 affecting the 2013/14 claim) found totalled £1,288 but because the errors are extrapolated over high value cells the overall impact on SSDC will be £231,021. We have contacted the DWP to appeal on the basis that the cells where the extrapolation has taken place ought to be broken down to like for like claims rather than all of the claims contained in that cell (i.e. only those claims with an income figure and excluding passported claims). An example of how this extrapolation works is shown below:-

Sample	Movement / brief note of error:	Original cell total	Sample error	Sample value	Percentage error rate	Cell adjustment	Revised cell total if cell adjustment applied
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
<b>Combined sample- 60 cases</b>	Cell 102 had 3 claims overstated due to incorrect calculation of earned income	<b>£30,555,309</b>	<b>(£237)</b>	<b>£138,929</b>	<b>0.17%</b>	<b>(£51,944)</b>	<b>£30,503,365</b>

So in the example above the error of £237 is 0.17% of the total value of benefits in the sample. The error rate i.e. the 0.17% has then been extrapolated against the overall cell value of £30.6 million. This then becomes the amount that the authority must repay.

At the time of the audit the Council was not able to produce a report to sub-total earned/self-employed income cases but we are confident that we will now be able to provide this analysis so that a fairer method of calculation can be provided to the DWP over the next couple of months through the appeal process. We are also looking to extend testing. We are hopeful that the revised calculations will reduce significantly the overall loss in subsidy to the Council.

The following actions have been agreed and are outlined in the Grant Thornton report:-

- Improvements to the forms filled out by the Housing Benefits Team to calculate earned income (already completed).
- Further training on the areas outlined (partially completed).
- An information sheet to give the team more guidance (to be completed by the end of January).
- Further testing on the areas where errors were found (to be completed by the 31<sup>st</sup> March 2015).

### **Financial Implications**

Any final payment will be found from the Housing Benefit Reserve which was set up for this purpose.

### **Background Papers**

Housing Benefit Subsidy Claim