

Certification report for South Somerset District Council

Year ended 31 March 2014

February 2015

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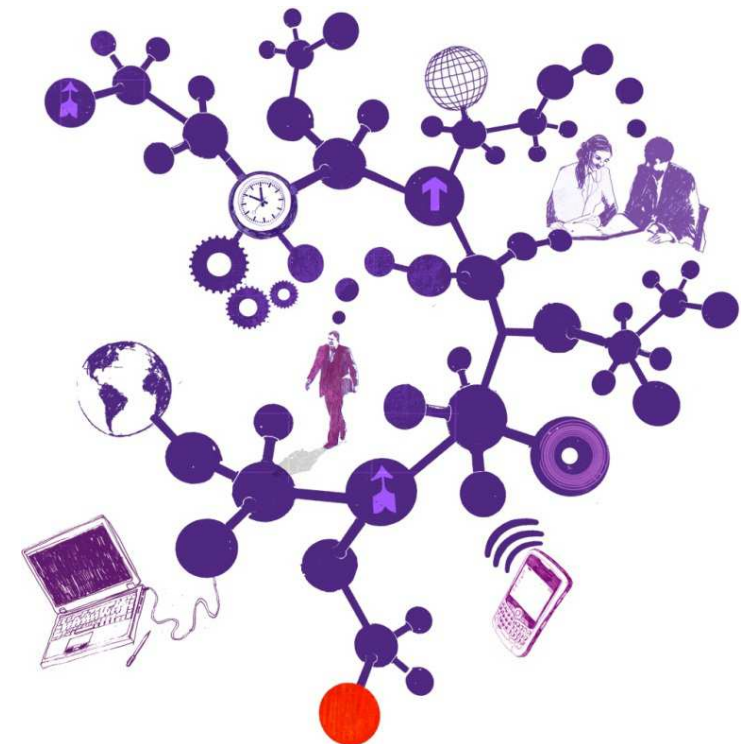
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Section 1: Summary of findings

01. Summary of findings



Summary of findings

Introduction

We are required to certify certain claims and returns submitted by South Somerset District 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 certified one claim (the housing benefit subsidy claim) to the Department for Work and Pensions (DWP) for the financial year 2013/14 relating to expenditure of £46 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process.

Approach and context to certification

Arrangements for certification of some claims and returns are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform remain unchanged from previous years.

Key messages

A summary of all claims and returns subject to certification under the Audit Commission regime is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Submitted by the Council and certified by Grant Thornton by the due deadline.	GREEN
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	There were errors in the calculations regarding earned income and the misclassification of overpayments. We issued a qualification letter to the DWP setting out the details of the errors.	RED
Supporting working papers	There were no issues noted with the Council's working papers.	GREEN

Certification fees

The indicative certification fee set by the Audit Commission for 2013/14 for South Somerset District Council is based on final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix B.

The indicative fee for certification work for 2013/14 was £10,736. We have not requested a fee variation for any additional work.

The way forward

We set out one recommendation to address the findings arising from our certification work at Appendix B.

In view of the number of data entry errors that our audit identified this year we recommend that the Council should arrange for more internal checks to be undertaken to safeguard against inaccurate awards and overpayments.

Implementation of the agreed recommendation will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2014

Appendices

Appendix A: Details of claims and returns certified for 2013/14

Claim	Subsidy claimed (£)	Claim amended?	Claim qualified?	Comments
Housing benefit subsidy claim	45,936,089	N	Y	<p>The claim was qualified because of two issues noted in our sample testing of rent allowances. Our initial sampling identified:</p> <ul style="list-style-type: none"> • Two incorrect calculations of weekly earnings • One misclassification of an overpayment. <p>As a result the Council carried out additional 40+ testing on these areas and found further errors:</p> <ul style="list-style-type: none"> • Further 8 misclassifications of overpayments (from a sample of 40) • Further 11 incorrect calculations of weekly earnings (from a sample of 80) of which 6 were overpayments and 5 were underpayments) Only overpayments impact on the Council's subsidy claim: the Council cannot receive subsidy on payments it should have made but did not. Adjustments can be made in the following year for underpayments to award the claimants what should have been paid and can be then claimed as subsidy. <p>We re-performed an element of this additional testing and confirmed the Council's findings. We reported the results in our qualification letter.</p> <p>We are required to report all errors to the DWP in a prescribed report format which extrapolates the error over the relevant population. Most notable was the percentage of overpayments which had been classified as eligible but were actually caused by local authority error or delay (6.71% by value in the sample). Combined with the extrapolated errors in earned income, the Council estimated that the potential loss of subsidy to the Council could have been £231,021.</p> <p>However, the Council was able to provide more information to reduce the scope of the potential loss for earned and self employed income. We undertook further work and revised our qualification letter in light of the additional analysis provided by the Council. Should the DWP accept these revised figures, then the Council estimates a potential increase in subsidy of £23,477.</p>

Appendix B: 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
1	<p>The Council should arrange for more internal checks regarding:</p> <ul style="list-style-type: none"> - Earned income - Classification of overpayments <p>These checks should be undertaken to safeguard against inaccurate awards and classification of overpayments.</p>	High	<p>The Council will address the recommendation through:</p> <ul style="list-style-type: none"> • 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 March 2015). 	Benefits and Control Officer (all actions will be completed by 31 March 2015)

Appendix C: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	15,900	10,736	10,736	-5,164	<p>The fees for certification of housing benefit subsidy claims were reduced from those set in 2011/12 of £20,382 by 40 per cent (saving from Audit Commission contracts with new audit suppliers from 2012/13) and then a further 12 per cent, to reflect the removal of council tax benefit from the scheme.</p> <p>These savings are in addition to the removal of the requirement for audit certification of the NNDR3 return.</p>
National Non Domestic Rates	950	NIL	NIL	-950	There was no requirement to certify this return in 2013/14.
TOTAL	16,850	10,736	10,736	-6,114	



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