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Dear Paul

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Certification work for South Somerset District Council for year ended 31 March 2017

We are required to certify the Housing Benefit subsidy claim 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.

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 2016/17 relating to subsidy claimed of £43.1 million. Further details are set out in Appendix A.

Our approach requires that we review issues identified in the prior year and undertake further testing where appropriate, to determine the extent that they have continued into the 2016/17 period. Our testing in 2015/16 identified the following issues that required further testing in 2016/17:

- Tax credits incorrectly recorded for Non HRA claimants
- Pension Credit Savings Credits incorrectly recorded
- Claimant's self-employed earned income incorrectly calculated
- Non dependent's self-employed earned income incorrectly calculated
- Tax credits incorrectly recorded for rent allowance claimants
- Claimant's earnings had been incorrectly calculated
- Rent allowance overpayments had been misclassified for subsidy purposes

In addition, our testing of claims relating to 2016/17 identified the following issues:

- Claimant's earnings had been incorrectly calculated
- The wrong number of rooms have been used to calculate entitlement

As a result of the errors identified, the claim was 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 2016/17 for the Council was based on the final 2014/15 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 2016/17 was £10,493. Work undertaken is subject to a fee variation due to extra work being carried out, which is under discussion with management, and subject to agreement with PSAA. We will report the outcome from this process in a future Audit Committee. 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 2016/17

Claim or return	Value	Amended?	Qualified?	Comments
Housing benefits subsidy claim	£43,092,604	No	Yes	See below

Findings from certification of housing benefits subsidy claim

Tax credits incorrectly recorded for Non HRA claimants

Our testing last year identified that working tax credits and child tax credits had been incorrectly applied, whereby the wrong amounts had been allocated to the wrong period. This led to incorrect calculation of entitlement and required further testing in 2016/17. As the population was under 100 cases we carried out 100% testing.

Further testing of 24 cases identified one error which led to an underpayment. As there is no entitlement to subsidy for underpayments no further work was undertaken. This error can lead to an overpayment, as well as an underpayment and therefore, we will be required to undertake further testing in 2017/18

Pension Credit Savings Credits incorrectly recorded

Our testing last year identified that Pension Credit Savings Credit had been incorrectly applied, whereby the wrong amounts had been allocated to the wrong period. This led to incorrect calculation of entitlement and required further testing in 2016/17.

Testing of a sample of 40 cases with Pension Credit Savings Credits identified one further error that led to an overpayment. The nature of the population and the variation in errors, meant that even significant additional work would not allow us to make amendments to the claim form. The extrapolated value of the error was £54 and the number of errors was in line with the prior year. This will require us to undertake further testing in 2017/18.

Claimant's self-employed earned income incorrectly calculated

Our testing last year identified that claimant's self-employed earned income had been incorrectly calculated. This led to incorrect calculation of entitlement and required further testing in 2016/17.

Further testing of 40 cases identified 15 fails. The 15 fails were as follows:

- One case was an overpayment of benefit
- Four cases had no impact on subsidy
- Three cases were underpayments in claims where an overpayment had previously been calculated. As a result the underpayment was netted from the overpayment meaning the overpayment had been overstated
- The remaining seven cases were underpayments and have no entitlement to subsidy and, therefore, no further impact on the claim.

The extrapolated value of the overpayment was £1,192 and the extrapolated value of the overstated overpayments was £2,311. The nature of the population and the variation in errors

meant that even significant additional work would not allow us to make amendments to the claim form. This will require us to undertake further testing in 2017/18.

Non-dependent's self-employed earned income incorrectly calculated

Testing in the prior year identified that non-dependent's self employed earned income had been incorrectly calculated. This led to incorrect calculation of entitlement and required further testing in 2017/18.

The total population of cases with non-dependent self employed earned income was 20 and therefore 100% testing was undertaken. From this one fail was identified that led to an underpayment. As underpaid benefit does not attract subsidy no extrapolation was undertaken. The error identified could equally lead to an overpayment and therefore, we will be required to undertake further testing in 2017/18.

Tax credits incorrectly recorded for rent allowance claimants

Our testing last year identified that working tax credits and child tax credits had been incorrectly applied, whereby the wrong amounts had been allocated to the wrong period. This led to incorrect calculation of entitlement and required further testing in 2016/17.

We tested a sample of 40 cases with tax credits, as a result of errors identified in the prior year, and from this a further eight fails of which four were overpayments and four were underpayments. The nature of the population and the variation in the errors, meant that even significant additional work would not allow us to make amendments to the claim form. The extrapolated value of the errors was £4,763 and the number of errors is in line with the prior year. This will require us to undertake further testing in 2017/18.

Claimant's earnings incorrectly calculated

We identified one error in our initial sample where claimant's earnings had been incorrectly calculated leading to an overpayment of benefit. This required us to undertake further testing.

We tested a sample of 40 cases with earned income, as a result of errors identified in the prior year, and from this 17 further errors were identified of which two included both over and underpayments. The errors identified were as follows:

- eight overpayments
- four cases that, due to earnings included in the overpayment calculation being incorrect, the overpayment cell had been overstated
- five underpayments that do not affect subsidy

The extrapolated value of the overpayment was £30,734 and the extrapolated value of the overstatement was £2,983. The nature of the population and the variation in errors meant that even significant additional work would not allow us to make amendments to the claim form. This will require us to undertake further testing in 2017/18.

Misclassification of Rent Allowance overpayments

Our testing last year identified 11 cases where the overpayment had been incorrectly classified as eligible error, when they should have been classed as LA error, which required further testing in 2016/17.

We tested a sample of 40 cases from the eligible error population and from this a further five errors were noted. The nature of the population, and the variation in the errors, meant that even significant additional work would not allow us to make amendments to the claim form.

The extrapolated value of these errors was £27,938 and the number of errors identified has decreased from prior years. This will require us to undertake further testing in 2017/18.

Incorrect number of rooms used to calculate entitlement

Testing of a sample of cases identified one error where the Council incorrectly assessed a claim for an HMO property. The Council incorrectly used all the rooms in the property for the assessment, rather than the rooms being used by the claimant, as a result of failing to apply the system override. This error can only ever lead to an underpayment and, as there is no entitlement to subsidy for underpayments, no further work was required.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£13,990	£10,493	£TBC	£TBC	Work undertaken is subject to a fee variation do extra work being carried out, that is being discussed with management, and is subject to approval by PSAA.
Total	£13,990	£10,493	TBC	TBC	