

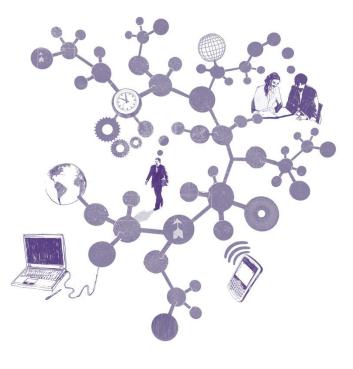
## Certification report 2015/16 for Tonbridge & Malling Borough Council

Year ended 31 March 2016

February 2017

Sarah Ironmonger Engagement Lead T 01293 554072 E sarah.l.ironmonger@uk.gt.com

Trevor Greenlee Manager T 01293 554071 E trevor.greenlee@uk.gt.com



### Contents

Section	Page
1. Summary of findings	3
Appendices	
A Work performed 2015/16	7
B Fees	10
C Action Plan	11

Section 1: Summary of findings

01. Summary of findings

### Summary of findings

#### Introduction

Certain claims and returns submitted by local authorities require auditor certification to help confirm the authority's entitlement to funding.

For 2015/16 the only claim requiring auditor certification at Tonbridge & Malling Borough Council ('the Council') was the Council's claim for housing benefit subsidy.

Auditors are required to report the outcomes of certification work to those charged with governance. This report summarises the outcomes from our certification work on the Council's housing benefit subsidy claim for 2015/16.

#### **Approach and context to certification**

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) have taken on the transitional responsibilities for HB COUNT (the framework used for the certification of housing benefit subsidy claims) issued by the Audit Commission in February 2015.

Our certification work has been completed using the HB COUNT framework.

In 2015/16 the Council's draft claim was for housing benefit subsidy of  $\pm$ 35.9m, based on benefit granted of  $\pm$ 36.6m.

#### **Key messages**

The Council's draft and final certified claims for housing benefit subsidy were submitted within the deadlines specified by the Department for Work and Pensions (DWP).

Officers had taken appropriate action to implement the agreed recommendations arising from our 2014/15 certification work.

The 2015/16 claim was amended prior to certification. The aggregate impact of the amendments was to increase the amount of subsidy claimable by  $f_{12}$ ,544.

We reported one other issue to DWP in a qualification letter.

Further information on the outcomes from our certification work is provided at Appendix A.

#### **Certification fees**

For each Council an indicative scale fee for certification work is set by PSAA. The 2015/16 indicative scale fee for the Council's housing benefit subsidy claim reported in our audit plan of March 2016 was £18,084. We will not seek a variation from PSAA to the 2015/16 indicative scale fee and our final fee will therefore be £18,084.

#### **Completion of PSAA workbooks**

Under the PSAA HBCOUNT guidance initial testing for a sample of cases is performed by the auditor. Where errors are identified from this initial testing, and there is not enough information to agree a claim amendment or assess the impact of the error across the population as a whole, then additional sample testing is performed. The HBCOUNT guidance states that this additional sample testing should be performed by the authority, using dedicated workbooks issued by PSAA, and then reviewed by auditors.

We understand that historically there have been issues with running the PSAA workbooks on the Council's systems. Currently information is initially logged on spreadsheets by the Council and then reviewed and input to the workbooks by auditors. In 2015/16 this process did not work efficiently, with a number of errors in the information provided by the Council and further information having to be provided on the calculations for self-employed income. This increased the amount of audit work required.

For 2016/17 it has been agreed that where additional testing is required the Council will complete the PSAA workbooks directly, with appropriate training and support from auditors, investigating whether the workbooks can now be uploaded directly to the system, or alternatively using standalone laptops to complete the work. To support this we will agree a protocol with officers to clarify the respective roles and responsibilities of auditors and the benefits team.

Where issues arise which require additional work by auditors in 2016/17 then additional fee will be charged. The need for additional fees will be agreed prior to our commencing the work.

#### The way forward

We set out recommendations arising from our certification work at Appendix C.

#### Acknowledgements

We would like to take this opportunity to thank the Council's officers for their assistance and co-operation with our 2015/16 certification work.

Grant Thornton UK LLP February 2017

# Appendices

### Appendix A: Work performed 2015/16

#### Housing Benefit Subsidy Claim

#### **Overall** approach

The PSAA certification framework requires sample testing of benefit claims to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes. Two initial samples are tested (all transactions in year)

- 20 rent allowance cases
- 20 rent rebate (tenants of non-HRA properties) cases

Where errors are identified then additional testing is performed (either on a further sample of 40 cases, or on all relevant cases, depending on the number of cases where the error could have occurred) for the issue giving rise to the error.

Under the PSAA framework auditors are also required to perform sample testing to cover previous year issues and confirm that these do not affect the current year's claim.

Where the impact of errors can be quantified exactly then the claim is amended. Where the potential impact on subsidy can only be estimated or extrapolated then the issue is reported to DWP using a qualification letter.

#### Previous year issues

Our work on the Council's 2014/15 subsidy claim identified a number of cases with the following errors; -rent allowances; self-employed income incorrectly calculated

-non HRA; expenditure relating to non-self-contained licensed accommodation incorrectly classified

-non HRA; LHA rate used in calculations incorrect.

Therefore under the HBCOUNT framework additional work to cover these issues was required in 2015/16.

### Appendix A: Work performed 2015/16

Housing Benefit Subsidy Claim

Outcomes from 2015/16 testing: Rent allowances

#### Initial testing

Our testing of the initial sample of 20 rent allowance cases for 2015/16 did not identify any errors.

#### Additional testing

Additional work in 2015/16 was only required in respect of previous year issues. To address these issues the calculation of self-employed income was tested for an additional sample of 40 cases. This testing identified;

• two errors leading to an underpayment of benefit. Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded.

- two errors where there was no impact on benefit
- two errors resulting in an overpayment of benefit.

For the two errors leading to an overpayment of benefit the potential impact on subsidy was extrapolated and reported to DWP using a qualification letter. The net impact of the extrapolation was to move £4966 from a cell paying full subsidy to the cell for local authority overpayments (which pays nil subsidy). However, the amount of subsidy receivable for local authority overpayments also depends on the aggregate value of overpayments relative to a threshold set by DWP. After adding £4966 the total value of local authority overpayments for the Council remains below this DWP threshold, and therefore all local authority overpayments would continue to attract full subsidy.

The Council's benefits system includes a module which can calculate self-employed income using information input by assessors. Our testing indicated that in most cases this module had not been used, with assessors instead performing calculations outside of the system, e.g. on paper, and then inputting only total amounts. The paper notes were often discarded. To provide a clear trail for calculations we recommend that the benefit system module is used for all self-employed income calculations. Alternatively, if paper calculations are produced by exception, then these should always be scanned and logged on the system.

### Appendix A: Work performed 2015/16

Housing Benefit Subsidy Claim

Outcomes from 2015/16 testing: Non HRA

Initial testing

Our initial testing of 20 rent rebate (tenants of non HRA properties) cases identified two cases where benefit expenditure had been incorrectly classified. However, the additional certification work required was covered by the testing performed in respect of previous year errors as below.

Additional testing

Additional work in 2015/16 was required in respect of previous year issues. To address these issues officers reviewed all non–HRA cases to check that expenditure had been correctly classified and that the correct LHA rate had been used.

This testing identified 17 cases where errors had occurred. Amendments were agreed and actioned on the Council's subsidy claim prior to certification. The net impact was to increase the amount of subsidy claimed by  $\pounds$ 12,544.

## Appendix B: Fees

Claim or return	2014/15 fee	2015/16 indicative fee	2015/16 actual fee	Variance with indicative fee
	£	£	£	£
Housing benefits subsidy claim	18,600	18,084	18,084	0
Total	18,600	18,084	18,084	0

### Appendix C: 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
	Housing benefit subsidy scheme			
1	Officers should consider the errors identified from certification testing and take action on any systems, training or supervisory issues to help reduce errors in future years.	Medium	Training has taken place over the previous two years. Errors found were in cases assessed prior to this time. An ongoing review of cases is taking place as part of the fraud & error reduction incentive scheme (FERIS). Recommendation 3 will be implemented and all assessment staff to receive training and instruction.	In place for the start of the 2017/18 financial year. Principal Benefit Officer.
2	Benefit records for individual claimants should be amended in the current year for all errors identified from 2015/16 certification testing.	Medium	Claims will be adjusted as necessary.	By the end of the current financial year. Principal Benefit Officer
3	To provide a clear trail for calculations the benefit system module should be used for all self-employed income calculations. Alternatively, if paper calculations are produced by exception, then these should always be scanned and logged on the system.	Medium	Staff to have instructions to use the Northgate self- employed earnings boxes as the standard means of recording figures. In any cases where this may not be appropriate, emphasis will be on providing a clear audit trail of the income assessment.	By the end of the current financial year. Principal Benefit Officer.

### Appendix C: Action plan

**Priority** 

High - Significant effect on arrangements Medium – Some effect on arrangements Low - Best practice

Rec No.	Recommendation Housing benefit subsidy scheme	Priority	Management response	Implementation date & responsibility
4	For 2016/17 it has been agreed that where additional testing using the PSAA workbooks is required then these will be completed by the Council, with appropriate training and support from auditors. As an initial step the Council should investigate whether the PSAA workbooks can be uploaded directly to the Council's network. If this is not possible then arrangements should be made to complete work using standalone laptops.	High	Liaison with Grant Thornton necessary to establish whether workbooks can be uploaded onto the Council's network or if standalone laptops are necessary.	Prior to commencement of 2016/17 hb subsidy audit. GT auditor & Principal Benefit Officer.



© 2016 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UKLLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

#### grant-thornton.co.uk