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Date: **03 March 2017**
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GOVERNANCE AND AUDIT COMMITTEE

8 MARCH 2017

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 8 March 2017** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Buckley (Chairman); Councillors: Braidwood, Campbell, Connor, Day, Dexter, Dixon, Edwards, Game, I Gregory, Hayton (Vice-Chairman), Jaye-Jones, Larkins, Piper and Taylor-Smith

SUPPLEMENTARY AGENDA No.1

Item

No

4. **EXTERNAL AUDIT GRANT CERTIFICATION LETTER 2015/16** (Pages 3 - 6)

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Grant Thornton

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16 February 2017

Dear Tim

Certification work for Thanet District Council for year ended 31 March 2016

We are required to certify the Housing Benefit subsidy claim submitted by Thanet 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) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £66.8 million on the 14th of December 2016. Further details of the claim certified is set out in Appendix A.

As in the previous year, there were a number of issues identified during the performance of our work on the Council's subsidy claim. As a result of these issues, we ended up certifying the Council's subsidy claim after the deadline set by the DWP of the 30th November 2016.

Under the HB COUNT methodology, it is expected that councils and/or their service provider will complete all additional work required (known as 40+ testing) to enable certification of the subsidy claim, and this assumption is included within the scale fee set by PSAA. East Kent Services (EKS) did not want to complete this work in the standard workbooks, but agreed to perform this work and document the results in spreadsheets, with Grant Thornton then populating the HB workbooks by the end of November deadline. The aim of this arrangement was to reduce the level of additional fee charged as these have been quite significant in recent years and the Council was looking to keep costs down in 2015-16.

However, review of the initial spreadsheets provided by EKS identified that not all of the information required to populate the HB workbooks had been provided. These were returned to EKS in late September to provide the outstanding information. At this point, communication between the parties broke down. The agreed work on the spreadsheets was not completed and as a result, we were required to pick up this work in November by changing direction to completing this work directly in the workbooks to the standard required by the DWP.

Under the HB COUNT methodology, where an error is identified in one year and the Council cannot evidence that sufficient work has been performed to prevent this error recurring in the following year, this error then has to form part of our work in the year of audit.

Over time, these errors can add up given the complex nature of the claim, so much so that in 2015-16 there were 13 errors where further testing was required from previous years' issues . A further two areas of additional testing were identified from the initial work on the 2015-16 claim. Therefore, one step which the Council and EKS need to take is to improve the quality control within the benefits team to reduce the level of errors made going forward.

In terms of the specific errors identified, these affected a range of areas across the three different types of benefit expenditure (Non-HRA, HRA and Rent Allowances), along with multiple elements of the benefit calculations, including areas such as:

- Errors in how Non-HRA and HRA benefit overpayments were being classified, which depends on whether the errors are caused by the Council or the claimant;
- Incorrect application of non-dependent deductions and childcare allowances to HRA claims;
- The earned income applied to both HRA and Rent Allowance claims was also found to be incorrect in several cases across both areas;
- The incorrect rent liability applied to some Rent Allowance claims.

These errors caused both over and under payment of benefits in the cases tested, and the full detail of these was included within our Qualification Letter issued to the DWP.

The indicative fee for 2015/16 for the Council is based on the final 2013/14 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 Ltd for the Council for 2015/16 is £20,770. This is set out in more detail in Appendix B. We are currently in discussion with officers over the additional fee payable for the extra work completed this year for the certification of the subsidy claim. We will report further once we have agreed this with officers and PSAA Ltd.

It is acknowledged by all parties involved in the Housing Benefits work that the process of certifying the 2015/16 subsidy claims for all of the clients served by EKS did not proceed as efficiently as hoped. Going forward the lines of communication and accountability between the councils, audit teams and EKS should be clearer to avoid issues of this type occurring again. To enable this we have agreed to hold a debrief meeting with all parties in the next few weeks to discuss these issues and agree the lessons learned so we can take these forward to the 2016-17 certification work.

Yours sincerely

Darren Wells

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£66,842,715	Yes	3,414	Yes	We issued a Qualification Letter on the 14 th December 2016 to the DWP in respect of the issues identified from our testing. Amendments were made to the Claim Form for some of the issues identified, where we were able to test the full affected population.

Appendix B: Fees for 2015/16 certification work

Claim or return	2013/14 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	20,770	20,770	TBC	TBC	As mentioned on Page 1, we will be requesting additional fee in respect of the additional testing performed where errors have been identified. We are currently in discussions with officers to agree this amount before we request formal approval from PSAA.

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