

South Somerset District Council
Brympton Way
Yeovil
BA20 2HT

11 January 2019

Dear Paul

Certification work for South Somerset District Council for the year ended 31 March 2018

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 Ltd (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 2017/18 relating to subsidy claimed of £37.9 million. Further details are set out in Appendix A.

We identified several issues from our certification work which we wish to highlight for your attention. 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 2017/18 period. Our testing in 2016/17 identified the following issues that required further testing in 2017/18:

- Tax credits incorrectly recorded for Non HRA claimants
- Pension credit savings credits incorrectly recorded
- Claimant'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 2017/18 identified the following issue

- Pensions allowance for modified schemes incorrectly recorded

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 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 2017/18 was £9,898. 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 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£37,874,981	Yes	£662	Yes	See below

Findings from certification of housing benefits subsidy claim

Pension Allowances for Modified Schemes

We identified one error in our initial sample that Pension Allowance for modified schemes 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. As the population was under 100 cases we carried out 100% testing.

Further testing of 23 cases identified that all cases were incorrect and that all errors were underpayments. As there is no entitlement to subsidy for underpayments no further work was undertaken. As this error can lead to an overpayment, as well as an underpayment, we will be required to undertake further testing in 2018/19.

As 100% of the population has been undertaken the claim has been adjusted for the error identified.

Pension Credit Savings Credits incorrectly recorded

Our testing in 2016/17 identified that Pension Credit Savings 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 2017/18.

Testing of a sample of 40 cases with Pension Credit Savings Credits identified 27 fails. The 27 fails were as follows:

- 19 cases were an overpayment of benefit
- 2 cases were an underpayment and had no impact on subsidy
- 5 cases had no impact on subsidy
- 1 case was an underpayment in a claim where an overpayment had previously been calculated. As a result the underpayment has netted from the overpayment meaning the overpayment had been overstated.

The extrapolated value of the overpayment was £267. 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 2018/19

Claimant's Earnings self-employed earned income incorrectly calculated

Testing in 2016/17 identified that Claimant's earnings self employed earned income had been incorrectly calculated. This led to incorrect calculation of entitlement and required further testing in 2017/18.

Testing of a sample 40 cases with self employed earned income identified 16 fails. The 16 fails were as follows:

- 2 cases were an overpayment of benefit
- 6 cases had no impact on subsidy
- 5 cases were an underpayment and had no impact on subsidy

- 3 cases were an underpayment in a claim where an overpayment had previously been calculated. As a result the underpayment has been netted from the overpayment meaning the overpayment has been overstated

The extrapolated value of the overpayment was £613. 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 2018/19

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 2017/18.

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 three fails of which one was an overpayment and one was an underpayment. One further fail identified was an underpayment in a claim where an overpayment had previously been calculated and was subsequently netted off from the overpayment. 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 £11,437 and the number of errors is a reduction from the prior year. This will require us to undertake further testing in 2018/19.

Claimant's earnings incorrectly calculated

Our testing in 2016/17 identified that claimant's earned income had been incorrectly calculated leading to an overpayment of benefit. This required us to undertake further testing in 2017/18.

We tested a sample of 40 cases with earned income, as a result of errors identified in the prior year, and from this 9 further errors were identified. The errors identified were as follows:

- four overpayments
- two cases that, due to earnings included in the overpayment calculation being incorrect, the overpayment cell had been overstated
- two underpayments that do not affect subsidy
- one case with nil impact on subsidy

The extrapolated value of the overpayment was £3,293. 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 2018/19.

Misclassification of Rent Allowance overpayments

Our testing last year identified overpayments had been incorrectly classified as eligible error, when they should have been classed as LA error, which required further testing in 2017/18.

We tested a sample of 40 cases from the eligible error population and from this a further four 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 £16,305 and the number of errors identified has decreased from prior years. This will require us to undertake further testing in 2018/19.

Appendix B: Fees for 201718 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£11,854	£9,898	£9,898	£0	
Total	£11,854	£9,898	£9,898	£0	