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Dear Jayne

Certification work for Redditch Borough Council for year ended 31 March 2016

We are required to certify the Housing Benefit subsidy claim submitted by Redditch Borough 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 have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £24.3m million. Further details of the claims certified are set out in Appendix A.

There were issues arising from our certification work which we wish to highlight for your attention.

We undertake testing on an initial sample of 20 cases for each subsidy area (pro-rated for Non-HRA). This involves agreeing back to prime documentation and confirming entitlement to the housing benefit awarded. An additional sample of 40 cases (if there are fewer than 40 cases in the population then all cases are tested and reviewed) are then selected and tested for each type of error found in the initial testing. The initial testing resulted in eight lots of additional testing. We also undertook 12 lots of additional testing for errors found in the previous year, which the DWP require us to follow up. The additional testing mainly consisted of review of earnings for all tenancy types, classification of overpayments and checking the rent included in the calculation of benefit. The decrease in the amount of additional testing required compared to the previous year is pleasing. However, there is a time lag which means that quality measures take time to come through. Officers are hopeful that the direction of travel will continue once the full year impact of the enhanced quality measures feeds through.

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. This approach is taken as the Housing Benefit claim for the preceding year (in this case 2014/15) is not completed until after the fees have been set. This approach means that annual variations to the indicative fee will always occur where there is a difference in the amount of additional testing undertaken. The indicative scale fee set by the Audit

Commission for the Council for 2015/16 is £10,529. This is set out in more detail in Appendix B.

In the base year of 2013/2014 we undertook five lots of additional testing. This year our risk assessment of the Council increased due to the prior year issues which meant we increased our re-performance of the workbooks. These factors resulted in the Council and the audit team spending a considerable amount of time on the claim to be in position to certify it before the deadline. This is going to result in a variation to the certification fee of £14,799. This has been agreed with you, but needs to be confirmed by PSAA.

There are two parts to this as follows:

1. “CAKE” testing £4,973. This is the testing we were required to carry out due to errors in the previous year’s claim. Due to the Council's resource constraints we agreed to complete the testing on five workbooks and agreed the additional fee at the start of the audit.
2. Additional testing £10,826. The indicative fee set by PSAA was based on the 2013/14 fee, but the volume of work required in 2015/16 was significantly more than in 2013/14 (20 workbooks of additional testing compared to five in 2013/14). Although the quality of the initial workbooks provided to us was better than in 2014/15 there is still scope for further improvement. Our review found errors in the testing of Non-HRA, Rent Rebates and Rent Allowances. Due to these problems we increased the level of re-performance of workbooks. This had to be further increased when we found items marked as ‘pass’ which were ‘fails’. The volume of ‘fails’ meant that the qualification letter was complex and required thorough checking. The nature of the errors in 2015/2016 (e.g. earned income and child care costs) were more complex than in 2013/2014 leading to additional time taken to undertake the re-performance and difficulties in resolving queries. We also found complicated issues on Modified Schemes that were not identified by the Council’s testing. Given the complexity and volume of testing we had to deploy higher grade staff to complete the work.

As we are already most of the way through the financial year, the issues that we have included in our qualification letter to the Department of Work and Pensions will be carried forward to the 2016/2017 claim.

Yours sincerely



Richard Percival
Engagement Lead
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	£24,246,004	No	N/A	Yes	The 2014/2015 process identified a significant number of issues which required testing in 2015/2016. In addition to these errors the audit team also identified errors (not previously identified) from the initial testing. This resulted in significant work from the initial testing. A detailed qualification letter was issued to the DWP on 30 th November.

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)	14,038	10,529	25,328	14,799	<p>The indicative fee for the Housing Benefits Subsidy is based on the 2013/2014 fee, reduced by 25%.</p> <p>We have agreed a substantially increased fee to the indicative fee due to the volume of extra work undertaken.</p>