



**Grant Thornton**

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Dear Clive

**Certification work for Birmingham City Council for the year ended 31 March 2018**

We are required to certify the Housing Benefit subsidy claim submitted by Birmingham City 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 £539 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. There were a number of errors from the extended testing that we carried out on this year's subsidy return, which recurred from 2016/17. There were also 7 new areas where we identified errors from our discovery testing. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant compared to the total subsidy receivable.

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 £17,594. Due to the additional work required to address the issues we identified in performing more 40+ workbooks, we have agreed an additional fee of £4k subject to confirmation from PSAA. This is set out in more detail in Appendix B.

Yours sincerely

*Grant Thornton UK LLP*

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## Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£539,184,933	Yes	£3,837	Yes	See below

### Findings from certification of housing benefits subsidy claim

#### **Cell 011 (Rent Rebates- Non HRA)**

Testing of the initial sample identified the following errors:

- Benefit did not end when the rent liability ceased.
- Miscalculation of earned income.

In addition, as a result of the 16/17 qualification letter, the Council performed additional testing on the following areas where:

- The Council had incorrectly applied the 'No Netting Off' indicator.
- The Council had applied the incorrect amount of child tax credits.
- There has been incorrect application of the bedroom tax percentages

The extrapolations of each error type above were relatively insignificant to the total subsidy received and have been reported to the DWP in our qualification letter.

#### **Cell 055 (Rent Rebates)**

Testing of the initial sample identified the following errors:

- Incorrect application of non-dependant deductions.
- Ending a claim on an incorrect date which caused an overstatement in the overpayment cells.
- Incorrect application of the additional earnings disregard.

In addition, as a result of the 16/17 qualification letter, the Council performed additional testing on the following areas where:

- The Council had incorrectly applied the 'No Netting Off' indicator.
- The Council had applied the incorrect amount of child tax credits.

The Council also undertook testing on cases with a personal deduction on self-employed earnings, however any errors found did not have impact on subsidy.

The extrapolations of each error type above were relatively insignificant to the total subsidy received and have been reported to the DWP in our qualification letter.

#### **Cell 094 (Rent Rebates)**

Testing of the initial sample identified the following errors:

- Miscalculation of earned income.
- Incorrect application of child tax credits and working tax credits.
- Incorrect end date applied to earnings used which meant the income was duplicated.

In addition, as a result of the 16/17 qualification letter, the Council performed additional testing on the following areas:

- Incorrect application of the bedroom tax percentage.

The extrapolations of each error type above were relatively insignificant to the total subsidy received and have been reported to the DWP in our qualification letter.

#### Appendix B: Fees for 2017/18 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)	£17,594	£17,594	£21,594	£4,000	In 15/16 we completed 8 40+ workbooks, in 17/18 we completed 12.