



# Grant Thornton

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Dear Jo,

## **Certification work for Watford Borough Council for year ended 31 March 2015**

We are required to certify certain claims and returns submitted by Watford 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.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim for the financial year 2014/15 relating to expenditure of £39.9 million. Further details of the claim certified is set out in Appendix A.

There are three issues arising from our certification work which we wish to highlight for your attention:

- The Council's housing benefit system IT providers, Capita, performed a series of system upgrades during October that resulted in the system experiencing a significant amount of downtime during the course of the audit. Unfortunately, after the upgrades had been performed the system was still subject to interruption which adversely affected the time spent on the claim.
- The housing benefit claim was subject to a qualification letter on four issues:
  - testing of an initial sample of 20 Non HRA rent rebate cases found that 4 cases could not be agreed to supporting evidence, the total sample error was £26, and a further 40 cases were tested with the following results:
    - there were three cases where we could not agree the income to supporting evidence.
    - one case whereby the incorrect applicable amounts were used in the claimants calculation of benefit resulting in a £326 error in the claimants benefit entitlement.
  - testing of the initial sample of 20 rent allowance cases found two errors in the initial sample:
    - one case where the claimant was paid Job Seekers Allowance for one week beyond the claimant period of entitlement. We tested a further 40 cases and reported no errors.
    - one case where the claimant was underpaid benefit due to the Council using the incorrect rental figure but our guidance states that

where the nature of the error could have so easily resulted in an overpayment then we are directed to test a further 40 cases. The results of which were two overpayment errors were discovered where the Council could not provide proof of rent, which resulted in a £315,929 extrapolation being calculated within the qualification letter.

- the reconciliations of benefit granted per the system and the benefit granted per the claim form did not agree for both Non HRA rent rebates and rent allowance although the Council has correctly selected the lower of the two figures for populating the headline cells.

Claim qualified as the reconciliation of benefit granted per the system to benefit granted per the claim form contained a small reconciling difference

The actual fee for 2014/15 for the Council is in excess of the planned fee reflecting the additional work performed during the audit coupled with the IT system interruptions and downtime experienced during the audit. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for 2014/15**

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£39.9 million	Yes	(14,472)	Yes	<p>Claim amended for the headline cell 94, rent allowance, to correctly reflect the lower of the benefit granted and benefit paid per the suppliers reconciliation.</p> <p>Claim qualified on Non HRA Rent Rebate as 3 cases could where we could not agree the income to supporting evidence. There was also one case whereby the incorrect applicable amounts were used resulting in an overpayment of benefit.</p> <p>Claim qualified on Rent Allowance as one case involved the payment of job seekers allowance to a claimant one week beyond the period of entitlement. In addition there was one case where the Council used the incorrect rental figure and further testing found a further 2 errors resulting in a £315k extrapolation being calculated in the qualification letter.</p>

**Appendix B: Fees for 2014/15 certification work**

<b>Claim or return</b>	<b>2014/15 planned fee (£)</b>	<b>2014/15 actual fee (£)</b>	<b>Variance (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	12,600	30,852	-	Increase in fee due to additional testing performed, the lack of housing benefit system availability and the issue of a qualification letter.
Total			-	