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12 January 2016

Dear James

Certification work for Shropshire Council for year ended 31 March 2015

We are required to certify certain claims and returns submitted by Shropshire 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

The total amount Certified for HB COUNT is £70.3m. In addition to the housing benefit subsidy claim we have certified two claims and returns for the financial year 2014/15 with a total value of £15.0 million. Further details of the claims certified are set out in Appendix A.

Issues arising from our certification work which we wish to highlight for your attention are set out in the comments of Appendix A. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return, teachers pensions return and pooling housing capital receipts return) have been removed. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £15,340. In addition, certification of grant claims outside of the audit commission regime, for which assurance is still required has been commissioned directly by the council, The fees charged for the two claims totals £6,975. Fees and the claims certified are set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Chartered Accountants

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

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£70,268,236	Yes	£74	Yes	Qualification Letter appended setting out basis of qualification, see appendix C.
Pooling of Housing Capital Receipts	£1,622,005	No	N/A	No	No issues noted
Teachers Pensions	£13,345,141	No	N/A	No	We identified trivial differences between raw payroll data and the amounts within the EOYCa form. These differences do not materially impact on the assurance provided. We have recommended that future working papers should ensure consistency of format and increase the clarity of the notes to ensure that these trivial differences are not present for 2015/16.

Appendix B: Fees for 2014/15 certification work

Claim or return	2012/13 fee (£)	2013/14 fee (£)	2014/15 actual fee (£)	Variance (£) (2013/14 to 2014/15)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£17,933	£18,593	£15,340	£(3,253)	
Teacher's Pensions	£5,877	£4,200	£4,200	£nil	
Pooling of housing capital receipts	£1,460	£807	£2,775	£1,968	Part A & B Testing required
Total	£25,270	£23,600	£22,315	£(1,285)	

Appendix C: Housing Benefits Qualification letter

Our Ref: GT/Shropshire/2014-15/BEN01
Your Ref: MPF720A

Department for Work and Pensions
Housing Benefit Unit
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

30th November 2015

Dear Sir / Madam

Shropshire Council
Housing benefit subsidy claim for the year ended 31 March 2015
(Form MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated 27
November 2015

Details of the matters giving rise to our qualification of the above claim are set out in the Appendix to this letter.

The factual content of our qualification has been agreed with officers of the Council.

My qualification refers you to the Authority's letter to you dated 25th November 2015

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

For Grant Thornton UK LLP

Cell 011 – Rent Rebates (Tenants of Non-HRA Properties) - Total expenditure (Benefit granted)

Cell Total: £835,572

Cell Population: 317 cases

Headline Cell: £835,572

Testing of the initial sample identified the following issue:

- 2 cases where a misclassification occurred due to the system using the Shared room rate to calculate the split between Cell 014 and 015, Northgate automatically uses this rate, and in these cases the authority should properly have calculated the split using a higher room rate, but had not applied a manual adjustment to override the default room rate. As Cell 015 attracts the lowest subsidy rate, this error could not result in the council claiming subsidy to which it was not entitled, as this error will always create a misclassification whereby Cell 014 is understated and Cell 015 is overstated.

The impact of these errors are that Cell 014 is understated by £2,207 and Cell 015 is overstated by £2,207. There is no impact on the headline cell.

The Council considers that it would not be cost effective to assess the extent of the under claim of subsidy, and as this error can only result in the amount of subsidy being under claimed (by over stating Cell 015 and understating Cell 014), the council considers that it is more cost effective for them to accept that they will not receive full benefit. This has been referred to in the letter from the Authority to the DWP dated 25th November 2015 and included with this QL.

We have not identified similar errors in previous years.

Cell 055 – Rent Rebates (Tenants of HRA Properties) - Total expenditure (Benefit granted)

Cell Total: £10,143,337

Cell Total £1,168,961 – sub population (Tax Credits)

Cell Population: 3063 cases

Cell Population: 453 cases – sub population (Tax Credits)

Headline Cell: £10,143,337

Testing of the initial sample identified:

- 1 Case where benefit had been overpaid as a result of the council incorrectly inputting Tax Credits in the assessment of benefit entitlement, total overpayment was £9, in this case cell 061 is overstated and cell 065 is understated, there is no effect on Cell 055
- 1 Case where benefit had been underpaid as a result of the council incorrectly inputting Tax Credits in the assessment of benefit entitlement, total underpayment was £1. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes

In agreement with the Council an additional sample of 40 cell 055 cases was selected for testing from the subpopulation of 055 for which claimants were in receipt of tax credits. This additional testing identified:

- 1 case where the Council had used the wrong amount of Child tax credit and Working tax credit in assessing claimant entitlement creating an overpayment of £509. This has been

included in the extrapolation below. As a result of this error Cell 061 is overstated by £509 and Cell 065 is understated by £509, the headline cell is not affected.

- 2 cases where the Council had used the wrong amount of Child tax credit and Working tax credit in assessing claimant entitlement creating an underpayment of £216. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy purposes.

The results of our testing is out in the table below:

Sample	Movement / brief note of error:	Original cell total: sub population (Claims with Tax Credit)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 5 cases	Incorrect Tax Credits	£1,168,961	(£9)	£12,367		
Additional sample - 40 cases	Incorrect Tax Credits	£1,168,961	(£509)	£105,516		
Combined sample 45 cases	Combined – Incorrect Tax Credits	£1,168,961	(£518)	£117,883	(0.44%)	(£5,143)
Adjustment	Combined sample - Cell 061 is overstated	£1,168,961	(£518)	£117,883	(0.44%)	(£5,143)
Total Corresponding adjustment	Total understatement of Cell 065					(£5,143)

The percentage error rate in our sample reflects the individual cases selected. Errors ranged between £9 and £509, The benefit period of the errors was between 6 and 7 weeks.

Given the nature of the population and the variation in the error found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that it is fairly stated.

We have not identified similar errors in previous years.

Cell 094 Rent Allowances – Total expenditure (Benefit granted)

Cell Total: £59,696,499

Cell Total £13,189,199 – sub population (Earnings)

Cell Population: 17,084 cases

Cell Population: 4,853 cases – sub population (Earnings)

Headline Cell: £59,696,499

Two issues were identified and reported in the 2013/14 qualification letter, affecting this cell on the claim. Incorrect earning from employment, and incorrect Rent used in the calculation of benefit entitlement Testing of the initial sample did not identify any errors of this kind

Given the nature of the population and the errors found in the prior year, a sample of 40 cases from cell 094 where the assessment of benefit entitlement included earnings from

employment was selected for testing from the subpopulation of earnings cases (worth a total of £94,397). This additional testing identified:

- 4 cases where the Council had incorrectly input earnings resulting in an underpayment totalling £178. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect subsidy and has not, therefore, been classified as errors for subsidy purposes.
- 2 cases where the Council had incorrectly input earnings resulting in an overpayment totalling £101. This is has been included in the extrapolation below. As a result of this error Cell 102 is overstated by £1, Cell 103 is overstated by £100 and Cell 113 is understated by £101, the headline cell is not affected.

No cases were identified in either the initial sample or the 40+ sample, for which the incorrect rent had been used.

The results of our testing is out in the table below:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 3 cases	Incorrect Income Calculation	£13,189,199	(£nil)	£6,856		
CAKE sample – 40 cases	Incorrect Income Calculation	£13,189,199	(£101)	£94,397		
Combined sample - 43 cases	Combined – Incorrect Income Calculation	£13,189,199	(£101)	£101,253	(0.11%)	(£14,508)
Adjustment:	Combined sample – Cell 102 is overstated	£13,189,199	(£1)	£101,253	(0.01%)	(£132)
	Combined sample – Cell 103 is overstated	£13,189,199	(£100)	£101,253	(0.10%)	(£14,376)
Total corresponding adjustment	Total understatement of Cell 113					(£14,508)

The percentage error rate in our sample reflects the individual cases selected. The value of the errors found ranged from £1 to £100 and the benefit periods from 9 to 31 weeks. Similar errors were reported in my qualification letter in the previous year.

Given the nature of the population and the variation in the error found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that it is fairly stated.

Similar findings have been included in our qualification letters for the last 2 years.

Cell 094 Rent Allowances – Total expenditure (Benefit granted)

Cell Total: £59,696,499

Cell Total £2,679,509 – sub population (Occupational Pension)

Cell Population: 17,084 cases

Cell Population: 990 cases – sub population (Occupational Pension)

Headline Cell: £59,696,499

Testing of the initial sample identified

- One Case where the Council had incorrectly input occupational pension of the Claimant resulting in an overpayment of £4, this has been included in the extrapolation below. As a result of this error cell 102 is overstated by £4 and Cell 113 is understated by £4, Cell 094 is not affected.
- For the same case as the above, for a different period, the council has incorrectly input the claimant's occupational pension resulting in an underpayment of £7 As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

In agreement with the Council an additional sample of 40 cell 094 cases was selected for testing (total value £106,003) from the subpopulation of 094 for which claimants were in receipt of occupational pensions. This additional testing identified:

- Three cases where the Council had incorrectly input occupational pension of the Claimant resulting in overpayments totalling £42, these have been included in the extrapolation below. As a result of this error cell 102 is overstated by £12, cell 103 is overstated by £30 and cell 113 is understated by £42, the headline cell is not affected.
- Five cases where the Council had incorrectly input occupational pension of the Claimant resulting in underpayments totalling £975. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy purposes.

The results of our testing is out in the table below:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with Occupational Pension)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 1 case	Incorrect Occupational pension cell 094	£2,679,509	(£4)	£6,272		
CAKE sample – 40 cases	Incorrect Occupational pension cell 094	£2,679,509	(£42)	£106,003		

Combined sample - 41 cases	Incorrect Occupational pension cell 094	£2,679,509	(£46)	£112,275	(0.04%)	(£1,072)
Corresponding adjustment:	Combined sample – Cell 102 is overstated	£2,679,509	(£16)	£112,275	(0.01%)	(£268)
	Combined sample – Cell 103 is overstated	£2,679,509	(£30)	£112,275	(0.03%)	(£804)
Total corresponding adjustment	Total understatement of Cell 113					(£1,072)

The percentage error rate in our sample reflects the individual cases selected. The value of the errors found ranged from £4 to £30 and the benefit periods from 4 to 44 weeks. This is the first year that these errors have been reported within my qualification letter.

Given the nature of the population and the variation in the error found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that it is fairly stated.