

JAC/18/13

**Certification of
claims and returns
annual report
2017-18**

Babergh District Council

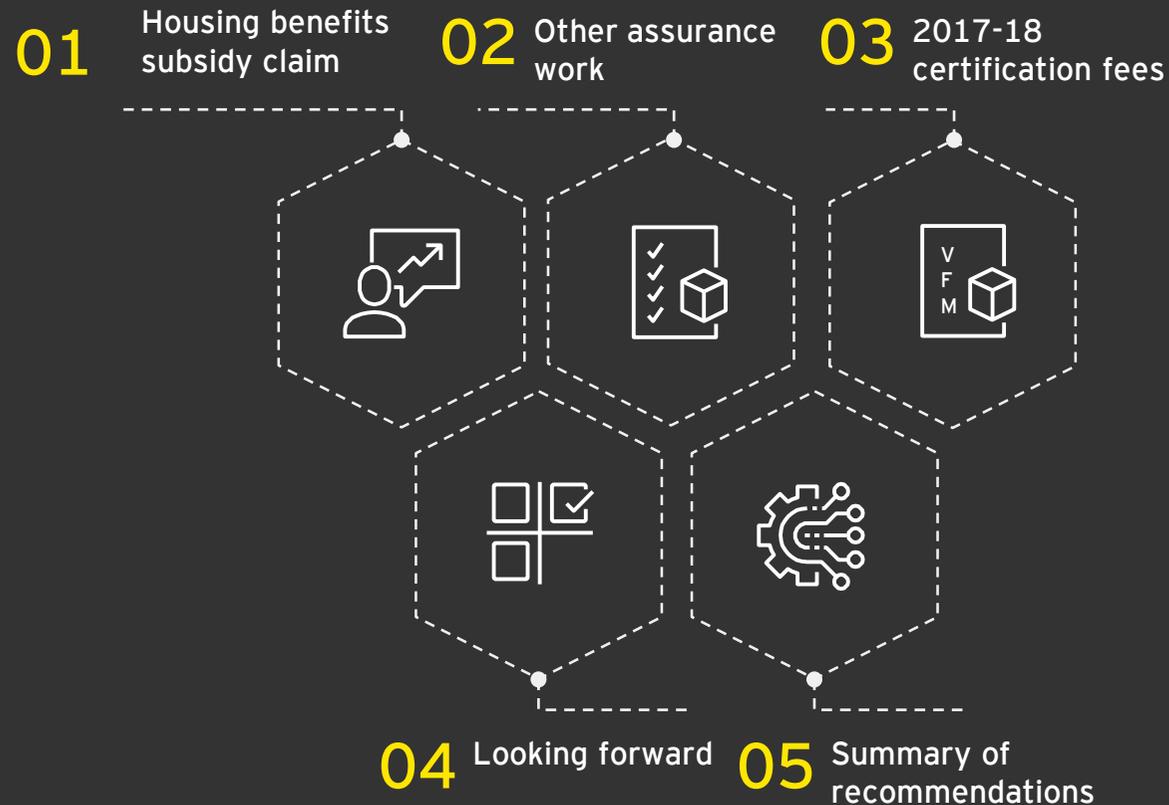
Mid Suffolk District Council

December 2018

EY

Building a better
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Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Joint Audit and Standards Committee and management of Babergh and Mid Suffolk District Councils in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit and Standards Committee, and management of Babergh and Mid Suffolk District Councils those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Audit and Standards Committee, and management of Babergh and Mid Suffolk District Councils for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim





Housing benefits subsidy claim

| Scope of work | Results: Babergh District Council | Results: Mid Suffolk District Council |
|--|--|---|
| Value of claim presented for certification | £18,048,738 | £15,579,757 |
| Amended/Not amended | Amended - £6,284 decrease in total subsidy claimed | Amended - £76 increase in total subsidy claimed |
| Qualification letter | Yes | Yes |
| Fee - 2017-18 | £23,051 | £18,665 |
| Fee - 2016-17 | £17,250 | £18,926 |

| Recommendations from 2016-17 | Findings in 2017-18: Babergh District Council | Findings in 2017-18: Mid Suffolk District Council |
|--|---|--|
| <p>Our audit work identified the following recommendation:</p> <ul style="list-style-type: none"> Continue with the agreed actions taken to address the recommendations made in previous years. | <p>Our audit work identified a number of errors as outlined below.</p> <p>We found 6 errors in our initial testing:</p> <ul style="list-style-type: none"> 2 overpayments, including a misclassification expenditure as a result of non-dependent deduction error in Rent Allowance; 1 overpayment as a result of incorrect rent liability in Rent Allowance; 1 misclassification of expenditure as a result of eligible overpayment error in Rent Allowance; 2 underpayments as a result of occupational pension income and self-employed income calculation error in Rent Rebates. <p>We found 4 errors in our '40+' or extended testing:</p> <ul style="list-style-type: none"> 1 overpayment as a result of self-employed income calculation error in Rent Allowance. 1 overpayment and 2 underpayments as a result of eligible overpayment error in Rent Allowance. <p>In addition, we also reported a benefit software issue in relation to Payment Deductions Project (PDP) interface. There is a system issue reported in other local authorities that Northgate incorrectly imported the prior years' overpayments onto 2017/18 claim. The system error was not identified as having occurred within the audit undertaken for the Council. The Council are routinely reviewing SUB057 Overpayment Discrepancies Audit Trail Report going forward to ensure that any PDP errors are accounted for correctly if they are identified.</p> | <p>Our audit work identified a number of errors as outlined below.</p> <p>We found 2 errors in our initial testing:</p> <ul style="list-style-type: none"> 1 overpayment and 1 underpayment as a result of an earned income calculation error in Rent Rebates; <p>We found 11 errors in our '40+' or extended testing:</p> <ul style="list-style-type: none"> 1 misclassification of expenditure and 3 underpayments as a result of an earned income calculation error in Rent Rebates. 1 misclassification of expenditure, 1 overpayment and 1 underpayment as a result of eligible overpayment error in Rent Rebates. 1 misclassification of expenditure, 1 overpayment, 2 underpayments as a result of eligible overpayment error in Rent Allowance. <p>In addition, we also reported a benefit software issue in relation to Payment Deductions Project (PDP) interface. There is a system issue reported in other local authorities that Northgate incorrectly imported the prior years' overpayments onto 2017/18 claim. The system error was not identified as having occurred within the audit undertaken for the Council. The Council are routinely reviewing SUB057 Overpayment Discrepancies Audit Trail Report going forward to ensure that any PDP errors are accounted for correctly if they are identified.</p> |

Housing benefits subsidy claim

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid. The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims. We found errors and in conjunction with officers carried out extended testing in several areas. Extended and other testing identified errors which the Councils amended. For Babergh there was a £6,284 decrease in total subsidy claimed and for Mid Suffolk there was a £76 increase in total subsidy claimed. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

Babergh District Council

| Summary of errors 2017-18 - Description of Cell | Nature of Error |
|--|--|
| Cell 094: Rent Allowance - Total Expenditure (Benefit Granted) | Testing of initial sample identified 2 overpayments, including a misclassification of expenditure due to non-dependent deduction error. An '40+' testing of the sub-population did not identify any fail. We reported an extrapolation in the Qualification Letter. |
| Cell 094: Rent Allowance - Total Expenditure (Benefit Granted) | Testing of initial sample identified 1 overpayment due to incorrect rent liability being applied. An '40+' testing of the sub-population did not identify any fail. We reported an extrapolation in the Qualification Letter. |
| Cell 114: Rent Allowance - Eligible Overpayment | Testing of initial sample identified 1 misclassification of expenditure on eligible overpayment. An '40+' testing of the sub-population identified 1 overpayment and 2 underpayments. We reported an extrapolation in the Qualification Letter. |
| Cell 055: Rent Rebates - Total Expenditure (Benefit Granted) | Testing of initial sample identified 2 underpayments due to occupational pension income and self-employed income error. An '40+' testing of the sub-population did not identify any fail. We reported an observation in the Qualification Letter. |
| 2016-17 Follow up - Description of Cell | Nature of Error |
| Cell 094: Rent Allowance - Total Expenditure (Benefit Granted) | In 2016-17 we identified errors where the Authority had incorrectly calculated self-employed income. Our 2017-18 sub population '40+' testing identified 1 overpayment. We reported an extrapolation in the Qualification Letter. |

Housing benefits subsidy claim

Mid Suffolk District Council

Summary of errors 2017-18 - Description of Cell

Nature of Error

Cell 055: Rent Rebates - Total Expenditure (Benefit Granted)

Testing of initial sample identified 1 overpayment and 1 underpayment due to earned income calculation error. An '40+' testing of the sub-population identified 1 misclassification of expenditure and 3 underpayments. We reported an extrapolation in the Qualification Letter.

2016-17 Follow Up - Description of Cell

Nature of Error

Cell 067: Rent Rebates - Eligible Overpayments

In 2016-17 we identified errors where the Authority had misclassified eligible overpayments in Rent Rebates. Our 2017-18 sub population '40+' testing identified 1 misclassification of expenditure, 1 overpayment and 1 underpayment. We reported an extrapolation in the Qualification Letter.

Cell 114: Rent Allowance - Eligible Overpayments

In 2016-17 we identified errors where the Authority had misclassified eligible overpayments in Rent Allowance. Our 2017-18 sub population '40+' testing identified 1 misclassification of expenditure, 1 overpayment and 2 underpayments. We reported an extrapolation in the Qualification Letter.



02

Other assurance work





Other assurance work

During 2017-18 we are also acting as reporting accountants in relation to the following schemes:

- ▶ Housing Pooling Return

The work is due to start in January 2019 and we will provide separate reports to the Council in relation to these returns. This work is undertaken outside the PSAA regime. The estimated fees for this are included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide assurance.



03

2017-18 certification fees





2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psa.co.uk).

| Claim or return - Babergh District Council | 2017-18 | 2017-18 | 2016-17 |
|---|-------------------------|-----------------------------|-------------------------|
| | Actual fee £ | Indicative fee £ | Actual fee £ |
| Housing benefits subsidy claim | 23,051 | 23,051 | 17,250 |
| Housing pooling return | 2,000 - 3,000 | N/A | 2,200 |

| Claim or return - Mid Suffolk District Council | 2017-18 | 2017-18 | 2016-17 |
|---|-------------------------|-----------------------------|-------------------------|
| | Actual fee £ | Indicative fee £ | Actual fee £ |
| Housing benefits subsidy claim | 18,665 | 18,665 | 18,926 |
| Housing pooling return | 2,000 - 3,000 | N/A | 2,200 |

The indicative fee for 2017-18 is based on the final fee of 2015/16.



04

Looking forward



Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the Housing Benefits Subsidy Claim for both Councils.

We welcome this opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.



05

Summary of recommendations



Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

| Recommendation | Priority | Agreed action and comment | Deadline | Responsible officer |
|---|----------|---|------------|---------------------|
| Continue with the current effective regime of checking claims and targeting training to maintain strong base and low error rate. | High | We are continuing in our regime of checking claims and using the findings to target training to individuals or teams. | April 2019 | Dawn Dell |
| Introduce a new control step to review all discrepancies noted in the Overpayment discrepancy report to identify all cases affected by the PDP module issue. Update the system (Northgate) with regular patches or system upgrades from the software provider | High | We have started on the review of all claims on the overpayment discrepancy report including any PDP issues as well as the payment discrepancy report. We will continue to update the Northgate system with all patches and upgrade and record when these are completed. | April 2019 | Dawn Dell |

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