

**JAC/17/18**

# **Certification of claims and returns annual report 2016/17**

**Babergh and Mid Suffolk District Councils**

January 2018

Ernst & Young LLP



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Joint Audit Committee  
Babergh District Council  
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24 January 2018  
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Dear Members

## **Certification of claims and returns annual report 2016/17 for Babergh District Council and Mid Suffolk District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Babergh District Council's and Mid Suffolk District Council's 2016/17 claims.

### **Scope of work**

Each council administers the national housing benefits scheme for the Department of Work and Pensions (DWP) and claims subsidy on amounts paid out. DWP requires appropriately qualified auditors to certify each council's claims for subsidy.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. DWP prescribes instructions which we adhere to and form the basis of the work included in this report.

### **Summary**

We checked and certified the housing benefits subsidy claims with a total value of £19.3 million for Babergh DC and £16.4 million for Mid Suffolk DC. We met the submission deadline. We issued a qualification letter for both councils with our submission; the qualification matters are included in section 1. One amendment was made to Babergh DC's claim which had a limited effect on the grant due. No amendments were made to Mid Suffolk DC's claim.

The housing benefits subsidy claim fees for 2016/17 were published by PSAA in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)) and are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the next Joint Audit and Standards Committee.

Yours faithfully

**Suresh Patel**  
Associate Partner  
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## 1. Housing benefits subsidy claim

Scope of work	Results: Babergh DC	Mid Suffolk DC
Value of claim presented for certification	£19,264,930	£16,440,600
Amended	Yes – £250 misstatement in respect of manual adjustments. Limited impact on subsidy.	No
Qualification letter	Yes	Yes
Fee – 2016/17	£17,250	£18,926
Fee – 2015/16	£23,051	£18,665

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the DWP towards the cost of benefits paid.

The certification guidance requires auditors 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 audit of previous years' claims. Both Councils identified errors and carried out extended testing in a number of areas, for which we re-performed a sample of cases.

Babergh District Council

Summary of errors: 2016/17

Description of Cell	Nature of error
Cell 094: Rent Allowances – total expenditure (benefit granted)	Testing of the initial sample identified one case where there was a misclassification of an overpayment. Follow up testing had already been planned as shown at Cell 114 overleaf.

2015/16 Follow up

Description of Cell	Follow up issue
Cell 055: Rent Rebates – total expenditure (benefit granted)	In 2015/16 we identified earned income and occupational income calculations as an issue. Our initial testing of 20 cases did not identify any fails. Our 40+ testing of the sub populations also did not identify any fails. No reporting to the DWP was therefore required in these areas.
Cell 094: Rent Allowances – total expenditure (benefit granted)	In 2015/16 we identified self-employed income calculation as an issue. Although our initial testing of 20 cases did not identify any fails our 2016/17 testing of the sub population identified 3 cases where benefit had been overpaid by the Authority calculating an incorrect self-employed income. We reported an extrapolation in the Qualification Letter.

Description of Cell	Follow up issue
Cell 114: Rent Allowances – eligible overpayments	<p>In 2015/16 we identified eligible overpayment misclassification as an issue. Our 2016/17 testing of the sub population identified 2 cases where the Authority had misclassified on the Northgate system overpaid benefit as eligible overpayment instead of LA error/admin delay</p> <p>We reported an extrapolation in the Qualification Letter.</p>

Mid Suffolk District Council

Summary of errors: 2016/17

Description of Cell	Nature of error
Cell 011: Rent Rebates (Tenants of Non HRA Properties) – total expenditure (benefit granted)	<p>Testing of the initial sample identified 2 fails due to breakfast not being included and weekly deduction differences. Since the whole population was small at 27 cases, the rest of the population was tested in full. This testing confirmed the same matters arising from the initial sample.</p> <p>We reported an extrapolation in the Qualification Letter and officers made adjustments in the 2017/18 financial year.</p>

2015/16 Follow up

Description of Cell	Follow up issue
Cell 055: Rent Rebates – total expenditure (benefit granted)	<p>In 2015/16 we identified earned income calculations as an issue. Our initial testing of 20 cases did not identify any fails. Our 40+ testing of the sub population also did not identify any fails. No reporting to the DWP was therefore required.</p>
Cell 067: HRA Rent Rebates – Eligible overpayments	<p>In 2015/16 we identified eligible overpayment misclassification as an issue. Although our initial testing of 20 cases did not identify any fails our 2016/17 testing of the sub population identified 2 cases where the Authority had incorrectly calculated earned income on the Northgate system and overpaid benefits.</p> <p>We reported an extrapolation in the Qualification Letter.</p>
Cell 114: Rent Allowances – eligible overpayments	<p>In 2015/16 we identified eligible overpayment misclassification as an issue. Although our initial testing of 20 cases did not identify any fails our 2016/17 testing of the sub population identified 2 cases where the Authority had misclassified, on</p>

Description of Cell	Follow up issue
	<p>the Northgate system, overpaid benefit as eligible overpayments instead of LA error/admin delay.</p> <p>We reported an extrapolation in the Qualification Letter.</p>

We have reported underpayments, uncertainties and the extrapolated value of other errors in our Qualification Letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or claw back the benefit subsidy paid.

As the errors were found in November 2017, the Council may have made similar errors in the early part of the 2017/18 financial year. We have therefore recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2017/18.

Issues for the 2017/18 audit

2017/18 issue	Recommendation
<p>Early extended testing</p>	<p>Perform early extended testing in those areas where errors were identified in 2016/17, to ascertain the extent of similar errors arising in 2017/18.</p>

## 2. 2016/17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016/17, these scale fees were published by PSAA in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Babergh DC - Housing benefits subsidy claim	17,250	17,250	23,051
Mid Suffolk DC – Housing benefits subsidy claim	18,926	18,926	18,665

The indicative fees for 2016/17 are based on the final fees for 2014/15.

### 3. Other assurance work

For 2016/17 we will also be acting as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return

This work is undertaken outside of the PSAA regime and the fees for this are not included in the figures included in this report.



## 4. Looking forward

### 2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Councils' indicative certification fees for 2017/18 are £23,051 for Babergh DC and £18,665 for Mid Suffolk DC. These fees were set by PSAA and are based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:  
<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

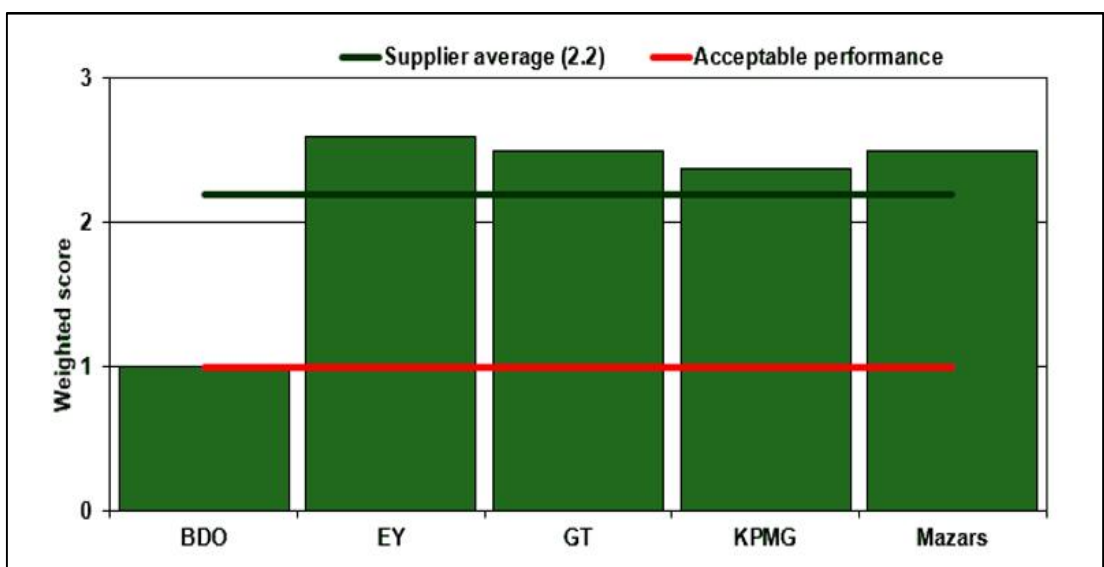
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Assistant Director – Corporate Resources before seeking any such variation.

### 2018/19

From 2018/19, the Councils will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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