

# Certification of claims and returns annual report 2016-17

Mid Sussex District Council

February 2018

Ernst & Young LLP



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The Members  
Audit Committee  
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Dear Members

## **Certification of claims and returns annual report 2016-17 Mid Sussex District Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Mid Sussex District Council's 2016-17 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

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.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Summary**

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £32,907,830. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors, but these did not require amendments to the claim form.

The Council has completed four of the five recommendations from 2015-16 and has improved arrangements. Details are included in section 4. We have seen a significant reduction in the volume of errors identified during 2016/17 compared to previous years. This is reflected in the small extrapolation total of £15,064 detailed in Section 1 of this report, compared to £71,730 in 2015/16.



Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting in February 2018.

Yours faithfully

**Paul King**  
Associate Partner  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,907,830
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2016-17	£12,533
Fee – 2015-16	£17,858
Recommendations from 2015-16	Findings in 2016-17
Five recommendations were made in 2014-15 which were brought into 2015-16. The Council has successfully completed four of these recommendations in 2016-17.	We have summarised these recommendations and made an assessment of the progress against them at section 4.

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 auditors to complete three samples of 20 cases for authorities with a Housing Revenue Account (HRA), covering HRA Rent Rebate, Non-HRA Rent Rebate and Rent Allowance cases, plus an undefined sample of Modified Scheme Cases, where each of these are applicable to the Council. Mid Sussex District Council does not have its own housing stock, therefore testing is limited to Non-HRA Rent Rebate and Rent Allowance cases, including related modified scheme cases. Auditors must 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. We found errors within the initial samples and carried out extended testing in these areas, along with areas identified within the previous years' claim.

The "40+" testing identified a small number of cases where similar errors had occurred.

For those "40+" tests where we did not test the whole population, we extrapolated the financial impact of our findings to determine the total financial impact of the errors on the claim. This was then reported in our qualification letter, but no amendment was made to the claim form.

The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid.

A summary of the key issues found is shown below:

### Eligible rent

Rent Allowances: Testing of the initial sample identified one case where benefit was underpaid as a result of an inaccurate amount being input for eligible rent. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. However, because errors in entering eligible rent could result in overpayments an additional random sample of 40 cases was tested from manually entered rent in cell 102. Testing of an

additional random sample of 40 cases identified three cases where benefit had been overpaid as a result of incorrectly inputting the claimant's rent. We calculated an extrapolated error of £3,271 which was reported in our Qualification Letter.

### **Income**

Rent Allowances: Testing of the initial sample identified two cases where benefit had been overpaid as a result of incorrectly calculating the claimant's income and one case where benefit had been underpaid as a result of incorrectly calculating the claimant's income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. However, because errors miscalculating the claimant's weekly income could result in overpayments an additional random sample of 40 cases was tested. Testing of an additional random sample of 40 cases did not identify any further cases that had been overpaid. The testing identified two cases where benefit was underpaid as a result of incorrectly calculating the claimant's income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. We calculated an extrapolated error of £8,800, which was reported in our Qualification Letter.

### **Misclassification of overpayment (cell 114)**

Rent Allowances: In our initial sample, we identified one case where an overpayment caused by LA error and admin delay had been misclassified as an eligible overpayment. As misclassification errors could result in an overpayment of subsidy and the error had also arisen in the prior year, an additional random sample of 40 cases was tested. Testing of an additional random sample of 40 cases identified a further six cases where benefit had been overpaid as a result of incorrectly calculating the claimant's income. We calculated an extrapolated error of £2,993, which was reported in our Qualification Letter.

### **Modified Schemes**

In 2015-16, 100% of the population was reviewed and amended, and 100% tested by the Council post year end. We identified one error in the cases tested by the Council in 2015-16. We therefore used our judgement to perform a sample of 20 cases, pro-rated for a population less than 100 cases. We therefore tested two cases, noting no errors within either case and therefore no reporting was required in the qualification letter.

### **Extrapolations**

The total of the extrapolations and errors in the qualification letter had the effect of increasing:

- current year LA error and administrative delay overpayments by £15,064

Where extrapolations impact the LA error and administrative delay overpayments cells, the DWP usually require that the extrapolation amount is repaid to the DWP.

The DWP review the combined LA error and administrative delay overpayments balance, taking the subsidy claim form value and the value of our extrapolations and, where this breaches the upper threshold, the total LA error and administrative delay overpayments incurred during the year are required to be repaid to the DWP. The LA error and administrative delay overpayments upper threshold was £173,340 and the total of the claim form total (£86,374) and the extrapolation effect on the LA error and administrative delay

overpayments (£15,064) is £101,438. This is below both the upper and lower threshold (£154,080), and therefore the Council is entitled to full subsidy on this amount.

## 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 the Public Sector Audit Appointments Ltd (PSAA's) 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 £
Housing benefits subsidy claim	12,533	12,533	17,858
<b>Total:</b>	12,533	12,533	17858

Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15

### 3. 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 Council's indicative certification fee for 2017/18 is £17,858. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

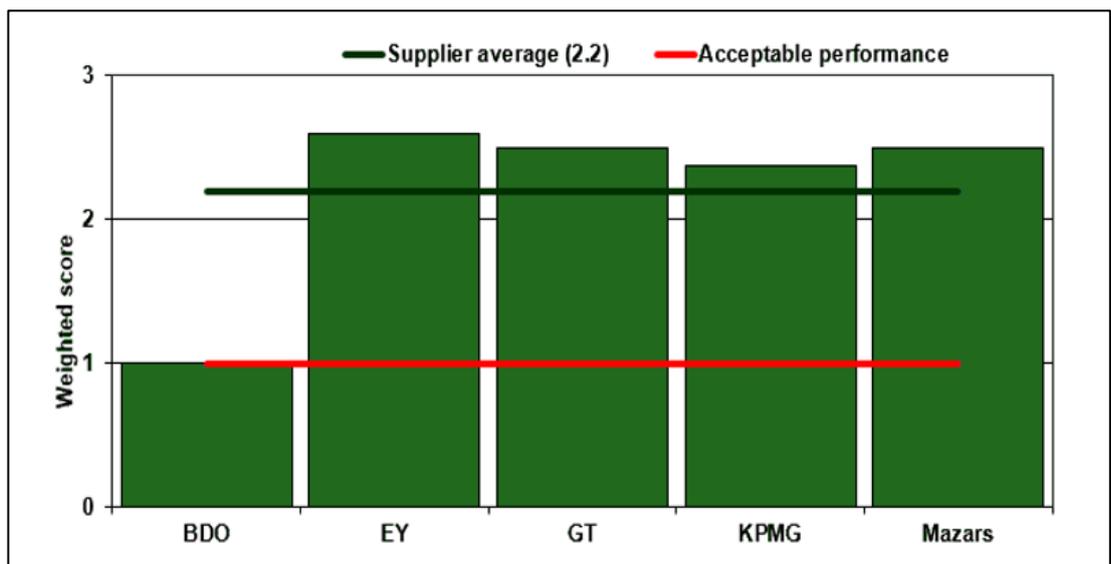
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Corporate Resources before seeking any such variation.

#### 2018/19

From 2018/19, the Council 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).



Additionally, as we have been 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.

## 4. Summary of recommendations

We have made one recommendation as a result of our 2016-17 work, and consider that all other recommendations from 2015-16 have been successfully completed. We have outlined all recommendations from both the current and prior year below, together with our assessment of progress to date.

We acknowledge that the Council takes getting the Housing Benefit Subsidy claims right very seriously and they have undertaken a change of the Revenues and Benefits Service management during 2016-17 to ensure that this is done. The Council have also employed a subsidy specialist external company, Branch and Lee, to data cleanse the earned income claims for 2017-18 and eradicate any errors in those claims. This is in addition to the steps already being taken in the agreed actions and comments section of the table below. They also compare relative performance by benchmarking the Housing Benefit Subsidy to that of similar local authorities. The DWP publish this data at <https://www.gov.uk/government/collections/housing-benefit-expenditure-and-subsidy-data>.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer	Progress to date
1 Undertake work or review the 2016-17 subsidy claims in high risk areas, such as claims with self-employed earnings and earned income, to ensure that these claims have been correctly processed and to reduce the likelihood of future qualifications of the subsidy claim.	High	The running of subsidy each month has recommenced. The subsidy officer undertakes checks of high risk cases; there is a written procedure and a signed check-list which are in turn supported by details of specific cases checked. A quarterly exercise is undertaken to compare and contrast current subsidy with the subsidy claim in past years.	Ongoing	Kevin Stewart, Business Unit Leader for Revenues and Benefits	Evidence of review of the modified schemes and overpayment classification has been reviewed as part of the certification work. The initial training focus was on earned income and we identified fewer errors in this area in our initial testing for 2014-15. The training focus in 2015-16 was on self-employed earnings and we saw a reduction in the number of errors identified in this area. We again note for 2016-17 improvements to the total number of errors identified, although we did still identify multiple errors relating to earned income.

**Prior Year Completed Recommendations:**

<b>Recommendation</b>	<b>Priority</b>	<b>Agreed action and comment</b>	<b>Deadline</b>	<b>Responsible officer</b>	<b>Progress to date</b>
<b>1</b> Review the CenSus Quality Plan to ensure that it is robust and addresses the weaknesses reported in the 2013-14 qualification letter	Completed	A Quality plan was Implemented as a result of the 2012-13 certification work. This plan was internally audited and assurance given that the actions in the plan had been effectively undertaken. Some elements of the plan have been incorporated into 'everyday business' and are ongoing. A further plan based on the 2013-2014 certification work was developed and was finalised following the DWP Performance Development Team visit to offer guidance and advice.	Completed	Tim Delany, Head of Revenues and Benefits (CenSus)	We are aware the Quality Plan has been implemented and have seen evidence of this reducing the volume of errors identified, therefore we have closed this recommendation from the prior year.
<b>2</b> Monitor progress against the CenSus Quality Plan and report progress to the CenSus Programme Board (PMB) and CenSus Joint Committee (CJC).	Completed	Activity and outcomes related to the 2013-2014 action plan have been reported at each PMB and CJC. The Benefits Manager reported and discussed progress with the Head of Service each month.	Completed	Tim Delany, Head of Revenues and Benefits (CenSus)	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the areas of focus. Therefore we have closed this recommendation from the prior year.
<b>3</b> Increase quality assurance checks and implement training in areas where errors have been identified including self-employed and earned income.	Completed	Additional staff were deployed to complete an exercise to review all earned income and self-employed cases and to conduct 100% quality checks on 'current' cases. Several strands of training have been and are being implemented	Completed	Morag Freitas, CenSus Benefit Manager	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the areas of focus. Therefore we have closed this recommendation from the prior year.

Summary of recommendations

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer	Progress to date
		Employ additional staff to check the accuracy of earnings case assessments	Completed	Morag Freitas, CenSus Benefit Manager	This was a new action put in place during 2016-17. We have seen that additional members of staff have been employed by Council and we have seen a few number of errors this year as a result of this, therefore we deem the action to be completed.
		Introduce a clerical action sheet for completion in all cases to enable staff to a) explain/justify their decision on the evidence in each case and b) take the time to review their decision in each case	Completed	Morag Freitas, CenSus Benefit Manager	This was a new action put in place during 2016-17. We have noted fewer errors within 2016-17, therefore we deem this action to be completed.
<b>4</b> Introduce robust, evidenced checks on the preparation of the subsidy claim to ensure that the Head of Finance and HR can certify the claim to state that the Council's administrative systems, procedures and key controls for awarding benefits operate effectively.		As above	Completed	Tim Delany, Head of Revenues and Benefits (CenSus)	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the areas of focus. Therefore we deem this recommendation completed.

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