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Mid Sussex District Council

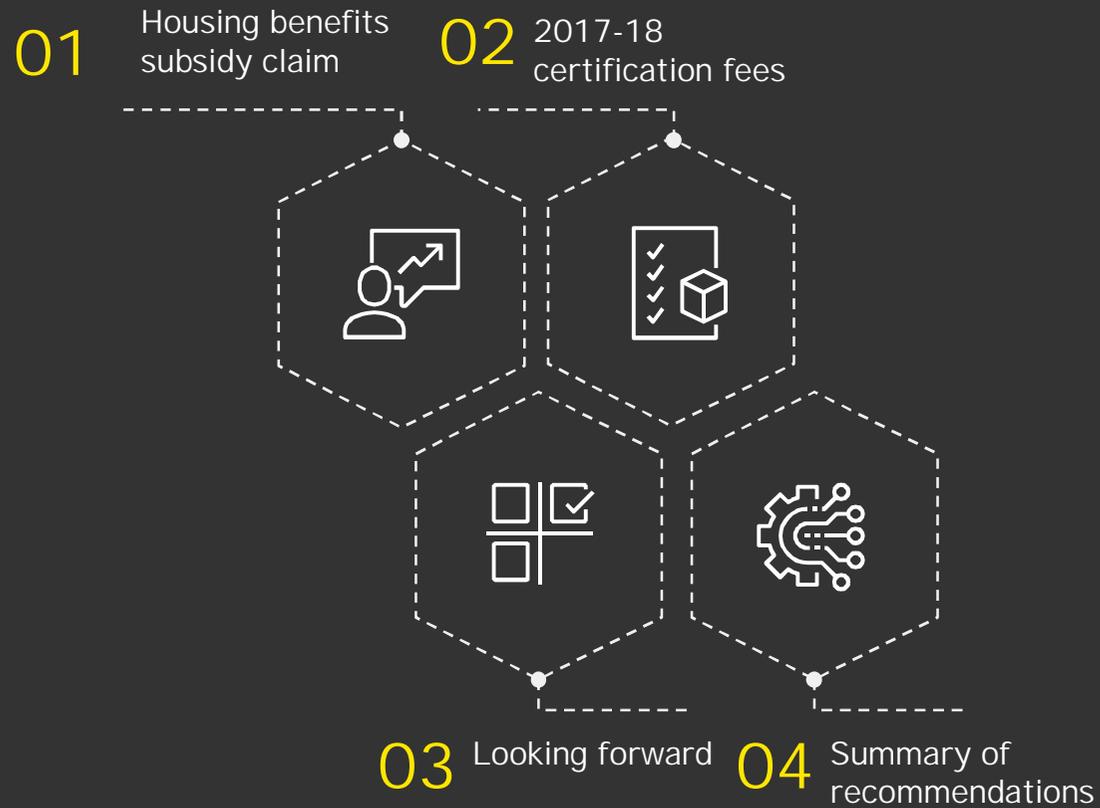
Certification of claims and returns annual report 2017-18

February 2019

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

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Contents



This report is made solely to the Audit Committee and management of Mid Sussex District Council. Our work has been undertaken so that we might state to the Audit Committee and management of Mid Sussex District Council 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 Audit Committee and management of Mid Sussex District Council 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
Value of claim presented for certification	£32,312,436
Amended/Not amended	Amended but no impact on subsidy claimed.
Qualification letter	Yes
Fee – 2017-18	£17,858
Fee – 2016-17	£12,533

Recommendations from 2016-17	Findings in 2017-18
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.	Our certification work suggests progress has been made in reducing the quantity of error in each of the relevant areas, as shown by our extrapolated figures. The Council should continue to focus on ensuring those areas where we identified errors, to reduce the likelihood of future qualification further.

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 to claimants. We certify that claim.

The certification guidance requires reporting accountants to complete testing of an initial sample of 20 cases from each of the Non-HRA Rent Rebate and Rent Allowances case types, plus more extensive '40+' or extended testing if:

- initial testing identifies errors in the calculation of benefit or compilation of the claim; or,
- our cumulative knowledge and experience from prior year certifications gives us reason to expect errors in specific areas.

A number of errors were identified and extended testing was completed in relation to the following:

- Rent Allowance tenants:
 - Incorrect calculation of earned income: Testing of the initial sample identified two cases where benefit was overpaid and two cases where benefit was underpaid as a result of incorrectly calculating the claimants earnings. Testing of an additional random sample of 40 cases within cell 94 containing earned income identified four cases where benefit had been overpaid as a result of incorrectly calculating the claimants income and one case where the incorrect calculation of earned income had no impact on subsidy claimed. Overpayments totalled £1,124, which was extrapolated across the total population of Rent Allowance cases in cell 94 containing earned income. This extrapolated error totalled £64,749.

Housing benefits subsidy claim

- Incorrect recording of Working Tax Credit: Testing of the initial sample identified one case where a claimants Working Tax Credit was incorrectly recorded, resulting in an underpayment of benefit. As errors entering the Working Tax Credit could result in overpayments, an additional sample was tested. Over and underpayments were identified in one further case. The total value of overpayments was £3.24. This was extrapolated across all Rent Allowance cases which contained Working Tax Credit. This extrapolated error totalled £98.

Extended 40+ testing was undertaken in the following areas due our cumulative knowledge and experience from prior year certifications gives us reason to expect errors in specific areas.

- Rent Allowances:
 - Eligible Rent: Testing of the 2016/2017 claim identified errors in the rent used in the assessment calculations for benefit. Whilst no errors were identified in our initial sample of Rent Allowance claims in 2017/2018, using our knowledge of the subsidy claim, we selected an additional sample of 40 claims for testing from the headline cell. Testing of the sample identified one case where benefit had been overpaid as a result of the claimants rent liability being incorrectly recorded and used in the calculation of benefit. This error totalled £2.46 and was extrapolated across all cases within cell 94, Rent Allowances. This extrapolated error totalled £180.
 - Classification of Overpayments: Testing of the 2016/2017 claim identified errors in the classification of overpayments, where evidence did not support their classification as eligible overpayments. Whilst no errors were identified in our initial sample of Rent Allowance claims in 2017/2018, using our knowledge of the subsidy claim, we selected an additional sample of 40 claims for testing from cell 114 Rent Allowances – Eligible Overpayments. Testing of the sample of 40 cases identified one case where benefit had been overpaid as a result of the claimants rent liability being incorrectly recorded. This error totalled £46 and was extrapolated across all overpayments classified as eligible (cell 114). This extrapolated error totalled £1,149.

We identified one further issue relating to the Council's Risk Based Verification policy that was reported to the DWP in our Qualification Letter:

Our testing identified that while the Authority has an RBV policy in place for the 2017/2018 year:

- a) a report was not made from the Section 151 Officer to Members before the RBV policy was approved for the 2017/2018 financial year; and,
- b) the RBV policy has not been formally approved by Members for the 2017/2018 financial year.

We note HB/CTB circular S11/2011 states that any failure by the local authority to apply its RBV policy causes expenditure to be treated as local authority error (error type 6 - failure to apply RBV policy). However, while the policy had not been properly approved, the policy had been appropriately applied to RBV cases. We have therefore not noted these items as failures in our testing. We have been informed that the Authority will ensure that the RBV Policy for 2018/19 is approved by members and that in view of the reduction of new claims due to the roll out of Universal Credit the Authority will be with member support withdrawing the RBV Policy from the 1 April 2019 and introducing a new Verification Policy to protect against Fraud.



03

2017-18 certification fees





2017-18 certification fees

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

Claim or return	2017-18 Actual fee £	2017-18 Indicative fee £	2016-17 Actual fee £
Housing benefits subsidy claim	17,858	17,858	12,533

Actual fee represents the fee payable as set by the PSAA.



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 certification of the Housing Benefit Subsidy Claim.

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
Housing benefits subsidy claim	Medium	Quality assurance processes need to continue to be focused around those areas where errors were identified, particularly calculation of claimant income.	31/3/19	Kevin Stewart

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