

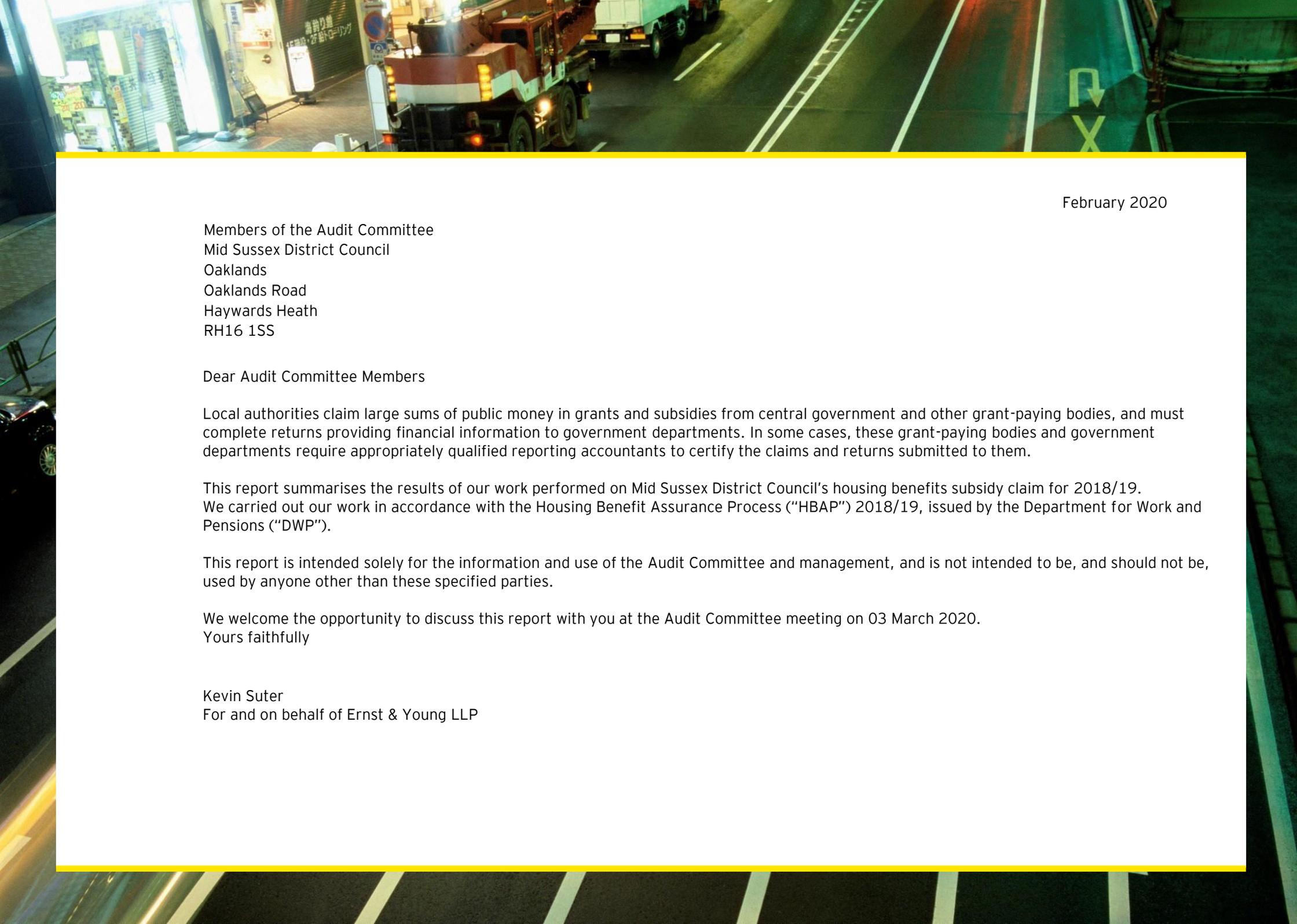
# Housing Benefit Assurance Process Report 2018/19

Mid Sussex District Council

February 2020

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

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February 2020

Members of the Audit Committee  
Mid Sussex District Council  
Oaklands  
Oaklands Road  
Haywards Heath  
RH16 1SS

Dear Audit Committee Members

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 reporting accountants to certify the claims and returns submitted to them.

This report summarises the results of our work performed on Mid Sussex District Council's housing benefits subsidy claim for 2018/19. We carried out our work in accordance with the Housing Benefit Assurance Process ("HBAP") 2018/19, issued by the Department for Work and Pensions ("DWP").

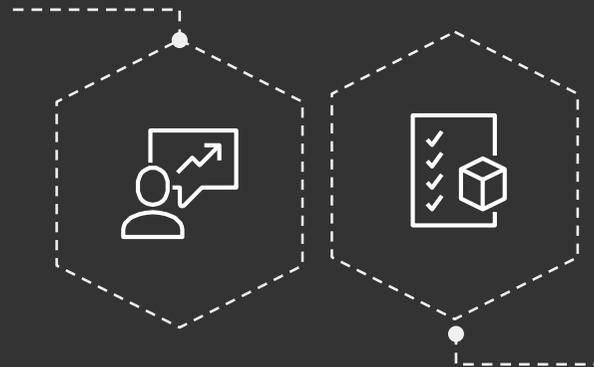
This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the Audit Committee meeting on 03 March 2020.  
Yours faithfully

Kevin Suter  
For and on behalf of Ernst & Young LLP

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The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter dated 17 June 2019.

This report is made solely to the Audit Committee and management of Mid Sussex District Council in accordance with the engagement letter. 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.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or associate partner contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

# Housing benefit assurance process



## Housing benefit assurance process - summary

Scope of work	Results
Value of claim presented	£30,171,263
Amended/Not amended	Amended - final claim value £30,170,493.
Date final claim and HBAP Report submitted to DWP	28 November 2019
Fee - 2018/19	£40,922 (includes £27,750 for extended testing)
Fee - 2017/18	£17,858

### Overview of work undertaken in 2018/19

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 HBAP guidance requires reporting accountants to follow a programme of work specified by DWP.

Detailed case testing is carried out on an initial sample of 20 cases per benefit type. We are also required to undertake a number of other tests and procedures, including review of system parameters and subsidy claim compilation, and testing of modified schemes.

Extended testing is carried out if the initial testing identifies errors in the calculation of benefit or compilation of the claim. Extended testing is also required where errors were identified in the certification of the previous year's claim, other than where the issue was fully resolved in the previous year. This can take the form of:

- Drill-down testing - where a sub-population of claims which are potentially impacted by the specific error can be identified
- 40+ testing - where a sub-population cannot be identified, and a random sample of claims is therefore selected from the headline cell

In summary, the results of our work in 2018/19 were as follows. Greater detail is provided on the next page of our report.

- 11 sets of extended testing were required, either as a result of prior year issues, or errors identified in the initial samples of 20 cases in 2018/19.
- 7 of these resulted in extrapolations reported in the HBAP Report.
- 3 resulted in amendments to the claim form.
- For 1 of the prior year issues, no errors were identified from the extended testing, and this matter was therefore considered closed.
- A further 5 errors were reported as Observations in the HBAP Report, but did not lead to extended testing due to the nature of the errors identified not impacting the level of subsidy claimed or had underpaid claimants.
- The total value of extrapolations in the HBAP Report was £18,115
- The total claim amendments resulted in a reduction of £770.

In 2017/18, there were a total of 7 areas where errors were identified, leading to extended testing or observations. As such, the volume of reportable issues in 2018/19 had more than doubled from the previous year.

Under HBAP, this will lead to a high volume of extended testing in 2019/20, because other than where an issue is fully resolved or has no impact on subsidy, all errors need to be followed up with extended testing in the subsequent year.

## Housing benefit assurance process - work performed

### Work undertaken in 2018/19 - detail

#### **Initial testing**

The Council has two types of housing benefit in payment - Non-HRA Rent Rebates (paid to tenants of temporary accommodation) and Rent Allowances (paid to tenants of private rented properties). We undertook testing of a random sample of 20 claims for each benefit type, as required by the DWP. The results of this testing were as follows:

Non-HRA Rent Rebates: Errors were identified in 7 of the 20 claims tested, an error rate of 35%.

Rent Allowances: Errors were identified in 6 of the 20 claims tested, an error rate of 30%.

Some of the cases contained multiple errors.

For all errors which lead to overpayment of benefit or over-claiming of subsidy, or where the nature of the error has the potential to lead to overpayment of benefit or over-claim of subsidy, and in most instances where benefit is misclassified, extended testing must be carried out.

#### **Other required work**

We also completed the other tests which are required under HBAP - namely review of system parameters, claim compilation processes and related software updates and reports, claim reconciliations, and modified schemes. No issues arose from these areas of work.

#### **Extended testing**

Where possible, extended testing should be undertaken by identifying a sub-population of claims which could be impacted by the error - for example, by selecting a sample of claims with earned income where an error was identified in the prior year or initial testing in relation to the calculation of earned income. Where a sub-population cannot be identified, a random sample of further cases should be selected from the headline cell. The DWP's HBAP instructions require the full population of claims to be tested where the related population is fewer than 100. Where the population is greater than 100, a sample of 40 claims must be tested

We undertook extended testing in 11 areas, which arose either through the errors in the initial testing, or from issues reported in the prior year.

Further details of these errors by benefit type are set out on the next page.

## Housing benefit assurance process - work performed

### Work undertaken in 2018/19 - detail

#### Extended testing (continued)

Extended testing - area covered and nature of errors identified	Arising from prior year or current year errors?	100% test or sample of 40?	Total cases tested	Number of errors identified
<b>Non-HRA Rent Rebates</b>				
Cell 011 earned income <ul style="list-style-type: none"> <li>Claimants' weekly earnings had been incorrectly calculated</li> </ul>	Current year	100% test	16	0
Cell 011 Rent <ul style="list-style-type: none"> <li>Claimants' rent eligible for housing benefit had been incorrectly calculated</li> </ul>	Current year	Sample	40	4
Cell 012/13 correct split <ul style="list-style-type: none"> <li>The Authority had not correctly recorded benefit over the allowable maximum amount for bed and breakfast cases in cell 13 as required, leading to overclaiming of subsidy</li> </ul>	Current year	100% test	57	2
Cell 014 LHA rate <ul style="list-style-type: none"> <li>The incorrect number of bedrooms had been used in establishing the Local Housing Allowance rate which underpins the calculation of rent for short term lease claims</li> </ul>	Prior year	100% test	56	0

## Housing benefit assurance process - work performed

### Work undertaken in 2018/19 - detail

#### Extended testing (continued)

Extended testing - area covered and nature of errors identified	Arising from prior year or current year errors?	100% test or sample of 40?	Total cases tested	Number of errors identified
<b>Rent Allowances</b>				
Cell 094 earned income <ul style="list-style-type: none"> <li>Claimants' weekly earnings had been incorrectly calculated</li> </ul>	Prior and Current year	Sample	40	4
Cell 094 industrial injury benefit <ul style="list-style-type: none"> <li>Incorrect industrial injury benefit income figures had been used in the calculation of housing benefit</li> </ul>	Prior year	100% test	19	3
Cell 094 severe disability premium <ul style="list-style-type: none"> <li>The severe disability premium applicable amount had been applied in error, leading to understatement of the claimant's income available to pay rent</li> </ul>	Current year	Sample	40	0
Cell 094 self employed income <ul style="list-style-type: none"> <li>Claimants' weekly earnings had been incorrectly calculated</li> </ul>	Current year	Sample	40	4

## Housing benefit assurance process - work performed

### Work undertaken in 2018/19 - detail

#### Extended testing (continued)

Extended testing - area covered and nature of errors identified	Arising from prior year or current year errors?	100% test or sample of 40?	Total cases tested	Number of errors identified
<b>Rent Allowances (continued)</b>				
Cell 094 working tax credits				
<ul style="list-style-type: none"> <li>Incorrect working tax credit income figures had been used in the calculation of housing benefit</li> </ul>	Prior year	Sample	40	2
Cell 102 rent				
<ul style="list-style-type: none"> <li>Claimants' rent eligible for housing benefit had been incorrectly calculated in housing association claims</li> </ul>	Prior year	Sample	40	4
Cell 114 overpayment classification				
<ul style="list-style-type: none"> <li>Overpayments had been incorrectly classified as claimant error, which should have been classified as local authority error/admin delay</li> </ul>	Prior year	Sample	40	3

## Housing benefit assurance process - recommendations

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### Recommendations

Housing benefit administration is a complex area, both as a result of the rules of the scheme, and the nature of some of the individual claims in the Council's caseload. As such, it is highly unlikely that errors can be avoided altogether. However, the volume of issues identified this year is high compared with prior years and with similar authorities, especially in the context of the Council only having two of the three benefit types which are covered by the scheme (Housing Revenue Account Rent Rebates are not applicable at the Council).

We would recommend the Authority consider a targeted programme of claim reviews, focussing on the most commonly occurring error types from 2017/18 and 2018/19 as reflected in the above table, prior to submitting the draft subsidy claim in April 2020. This should help to reduce the incidence of error arising in these areas.



02

2018/19 fees





## 2018/19 fees

Claim or return	2018/19	2017/18
	Fee £	Fee £
<b>Housing benefit subsidy claim</b>		
Initial fee	13,172	17,858
Additional fee	27,750	-
<b>Total</b>	<b>40,922</b>	<b>17,858</b>

### 2018/19

The fee is as reflected in our engagement agreement with the Council.

The agreed initial fee was £13,172.

The fee for extended testing is based on the volume of work required and complexity of the testing undertaken. The agreed fee structure anticipated an average fee for each set of extended testing of approximately £2,500.

The additional fee reflects the volume of areas of extended testing in 2018/19.

The additional fee remains subject to agreement with management.

### 2017/18

The scale fee was determined by PSAA.

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