

EXTERNAL AUDITOR REPORT: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18

1 PURPOSE OF REPORT

- 1.1 To draw Members' attention to the Certification of Claims and Returns Annual Report 2017/18.

2 INTRODUCTION

- 2.1 In accordance with Department for Work and Pensions (DWP) requirements the Council must appoint an external auditor to certify the accuracy of its housing benefit subsidy claim. The external auditor appointed to perform this work for Rochford District Council in 2017/18 was Ernst & Young.
- 2.2 The Ernst & Young report is appended and summarises the results of the work on Rochford District Council's 2017/18 Housing Benefit Subsidy claim.

3 SUMMARY

- 3.1 The report outlines the results of the 2017/18 certification work and highlights any significant issues arising. Ernst & Young checked and certified the housing benefit subsidy claim which had a total value of £16.8m. A qualification letter was issued as the work identified some errors; however, these were corrected and the reduction in grant payable to the Council by DWP was £719, which is not material to the Council's accounts.

4 RESOURCE IMPLICATIONS

- 4.1 A scale fee variation increase of £5,652 for the certification of the 2017/18 housing benefits subsidy claim has been agreed to reflect the work associated with extended testing of some areas, due to additional errors found this year compared to 2016/17. Details are set out below.

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	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£13,836	£8,184	£11,783

The indicative scale fee for 2017/18 of £8,184 is based on the final fee charged in 2015/16.

Our final fee proposed for 2017/18 is £13,836. This is an increase of £5,652 arising from the re-performance of three lots of extended 40+ testing and two lots of extended 100% testing covering both Non-HRA Rent Rebates and Rent Allowance errors found during the certification of the 2017/18 claim.

In addition, we undertook extra work in 2017/18 on the 40+ workbooks completed by the Council to provide more details for case failures and to add further detail to eliminate validation errors.

We have discussed and agreed the overall fee increase and final fee with the Section 151 Officer. The final fee is subject to agreement by Public Sector Auditor Appointments Ltd.

5 LEGAL IMPLICATIONS

- 5.1 Certification is required by the DWP to support the Council's housing benefit subsidy claim for 2017/18.

6 EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 An Equality Impact Assessment has not been completed as no decision is being made.

7 RECOMMENDATION

- 7.1 It is proposed that the Committee **RESOLVES**

That the Certification of Claims and Returns Annual Report 2017/18 be noted.



Naomi Lucas
Section 151 Officer

Background Papers:-

None.

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If you would like this report in large print, Braille or another language please contact 01702 318111.

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

Rochford District Council

December 2018



Members of the Audit Committee

18 December 2018

**Rochford District Council
Council Offices
South Street
Rochford
Essex
SS4 1BW**

Dear Audit Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Rochford District Council's 2017-18 housing benefit claim.

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.

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 2017-18, 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.

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 on Thursday 26 February 2019.

Yours faithfully

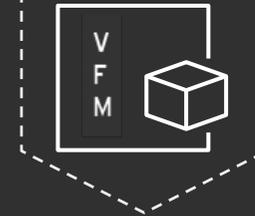
Debbie Hanson
Associate Partner
For and on behalf of Ernst & Young LLP

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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 Audit Committee and management of Rochford District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Rochford 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 Rochford 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	£16,838,449
Amended/Not amended	Amended - subsidy reduced by £719
Qualification letter	Yes
Fee - 2017-18	£13,836
Fee - 2016-17	£11,783

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 follow a programme of work specified by DWP. Detailed case testing is carried out on an initial sample of 20 cases per benefit type. More extensive '40+' or extended testing is undertaken 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 carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim, as noted above.

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. We include in this report a summary of the main issues we reported in our qualification letter as follows:

Cross-cutting issues: Audit trails for sub-population

To undertake the required extended testing, the Council provided a report for the sub populations of all cases in receipt of rent allowance earned income. The Council ran the report on the 1st April 2018. However, if a claimant was in receipt of any of this type of income prior to this date but was no longer receiving the income on the day the report was run, then the case would not appear in the sub-population.

The Council has advised the only way to obtain a complete report for this sub-population would be to run the income elements report every day. This is not considered feasible. We have therefore not amended the claim for any errors arising from extended testing on earned income but reported the findings in our Qualification Letter.

Housing benefits subsidy claim

No- Housing Revenue Account (HRA) Rent Rebates: Initial Testing

Initial testing on Non-HRA Rent Rebates identified three errors where:

- ▶ A system error in the processing of a mid-week overpayment led to one overpayment and several underpayments of benefit;
 - ▶ A system error miss-classified a prior year overpayment as a current year overpayment; and
 - ▶ The Council had overpaid benefit by calculating rent incorrectly.
- ▶ We undertook extended work and reported as follows across each of the three areas:
- ▶ Work in 2016/17 had identified the error within mid-week overpayments and the Council undertook a 100% review of all cases in 2017/18. The Council found seven further errors from a 100% review of 180 mid-week overpayments. The Council processed an amendment of £107 through the claim for the errors found. As the Council had reviewed all relevant cases we agreed to the amendment to the 2017/18 claim.
 - ▶ We checked the system error as regards miss-classification between prior year and current year overpayments and found that there was no impact on subsidy. Therefore, we reported the error within our Qualification Letter and undertook no further testing.
 - ▶ The Council undertook extended '40+' testing covering the calculation of rent and found one further error which resulted in an underpayment of benefit. As there is no eligibility for subsidy for benefit that has not been paid, we did not classify the underpayment as an error for subsidy purposes and the underpayment has no impact on the claim. The extrapolated impact of the overpayment error from the initial testing results in overpayment of benefit of £82.

Rent Allowances: Initial Testing

Initial testing on Rent Allowances identified two errors, where the Council had not:

- ▶ Applied a rent change for a tenant in a property managed by Sanctuary Housing Association leading to an overpayment of benefit;
 - ▶ Calculated earned income correctly leading to an underpayment of benefit.
- ▶ We undertook extended work and reported as follows across both areas:
- ▶ The Council undertook extended '40+' testing from a sub-population of rent changes relating to Sanctuary Housing Association, which identified a further error. The extrapolated impact of both errors resulted in an overpayment of benefit of £677.
 - ▶ As the error underlying the underpayment of benefit of earned income could also have led to an overpayment of benefit, the Council undertook extended '40+' testing from a sub-population of earned income cases. The testing identified one further underpayment of benefit and two errors leading to overpayment of benefit. As there is no eligibility for subsidy for benefit that has not been paid, we did not classify the underpayments as errors for subsidy purposes and the underpayments have no impact on the claim. The extrapolated impact of the overpayment errors from extended testing resulted in overpayment of benefit of £578.

Modified Schemes: Initial Testing

We found no errors from the initial testing of modified schemes.

Housing benefits subsidy claim

Non-HRA Rent Rebates and Rent Allowances: Error Relating to the Deduction of Management Cost of £60 as regards Temporary Accommodation

In 2017/18, the DWP removed the allowance for a £60 management cost on expenditure above the threshold for temporary accommodation. However, the Council ran payments runs before amending the parameter in the system for the change. The Council's extended 100% testing of the population of 73 cases identified 13 errors, resulting in a misclassification of £672 on Non-HRA Rent Rebates and £41 on Rent Allowances between those properties above and below the threshold. As the Council had reviewed all relevant cases we agreed to an amendment to the 2017/18 claim.

Non-HRA Rent Rebates: Extended Testing: Miss-classifications of Expenditure as regards One-Bedroom Properties from Previous Years

Initial testing of Non-HRA Rent Rebates found no errors in classifying expenditure between the thresholds for one bedroom properties. However, the Council has amended the claim for this error in previous years and therefore undertook work in 2017/18 to check that the system was processing software updates correctly. Our re-performance of the Council's 100% extended testing of the population of 89 cases found no errors.

Non-HRA Rent Rebates: Miss-classifications between technical, local authority and claimant error overpayments from Previous Years

Initial testing of Non-HRA Rent Rebates found no errors miss-classifying errors between technical, local authority and claimant error overpayments. However, the Council has amended the claim in previous years for these errors and therefore undertook work in 2017/18 to identify any such miss-classifications. The Council's extended 100% testing of the 50 overpayments identified 13 errors which the Council had already corrected within the 2017/18 claim. However, in rechecking all cases, the Council identified three miss-classification errors within the population with a value of £5 between technical and local authority error overpayments. There is no impact on subsidy as both errors attract no subsidy. As the Council had reviewed all relevant cases we agreed to an amendment to the 2017/18 claim.

Non-HRA Rent Rebates and Rent Allowances: Extended Testing: Errors as regards housing benefits awarded on two Homes from Previous Years

Initial testing of Non-HRA Rent Rebates and Rent Allowances found no errors in classifying expenditure between benefits awarded on two homes. However, we have included this matter within previous Qualification Letters and had an expectation of errors in 2017/18. Therefore the Council undertook 100% extended testing of the 68 cases comprising the total population to check the classification of expenditure. The testing found a further thirteen errors. The Council processed an amendment to reduce Non-HRA Rent Rebate and increase Rent Allowance expenditure by £386 through the claim for the errors found. The Council are to amend for two errors affecting Rent Allowance claims resulting in an overpayment of expenditure of £59 within 2018/19. As the Council had reviewed all relevant cases we agreed to an amendment to the 2017/18 claim and have reported the impact for 2018/19 in our Qualification Letter.

Rent Allowance: Extended Testing: Errors as regards Incorrect Start Dates for Child tax Credits from Previous Years

Initial testing of Rent Allowances found no errors arising from an incorrect start date applied for child tax credit. However, we have included this matter within previous Qualification Letters and we had an expectation of errors in 2017/18. Therefore, the Council undertook extended '40+' testing from a sub-population of child tax credit cases. The extended testing identified one case with an incorrect start date. The extrapolated impact of the error resulted in an overpayment of benefit of £38.

Housing benefits subsidy claim

Rent Allowance: Extended Testing: Miss-classifications between local authority and claimant error overpayments from Previous Years

Initial testing of Rent Allowances found no errors miss-classifying errors between local authority and claimant error overpayments. However, we have included this matter within previous Qualification Letters and we had an expectation of errors in 2017/18. Therefore, the Council undertook extended '40+' testing from a sub-population of claimant error overpayments. The extended testing identified four cases where the Council had miss-classified local authority error overpayments as claimant error overpayments. The extrapolated impact of the error resulted in an overpayment of benefit of £10,015.

Rent Allowance: Extended Testing: Errors as regards Incorrect Start Dates for New Claims from Previous Years

Initial testing of Rent Allowances found no errors as regards incorrect start dates for new claims. However, we have included this matter within previous Qualification Letters and we had an expectation of errors in 2017/18. Therefore, the Council undertook extended '40+' testing from a sub-population of new claims. The extended testing identified one case with an incorrect start date. However, there was no impact for subsidy as the claim had no entitlement. We have reported the results of testing within our Qualification Letter.



02

2017-18 certification fees





2017-18 certification fees

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