



Certification of  
claims and returns  
annual report  
2017-18

Chichester District Council

December 2018



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Members of the Corporate Governance and Audit Committee

December 2018

Chichester District Council  
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Chichester  
West Sussex  
PO19 1TY

Dear Corporate Governance and Audit Committee Members

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Chichester District Council's 2017-18 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 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 Corporate Governance and 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 on 10 January 2019 as well as understand whether there are other matters which you consider may influence our certification.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

# Contents



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](http://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 Corporate Governance and Audit Committee and management of Chichester District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance and Audit Committee, and management of Chichester 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 Corporate Governance and Audit Committee, and management of Chichester 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	£34,703,940
Amended/Not amended	Amended – subsidy reduced by £35 with final value of certified claim of £34,703,940
Qualification letter	Yes
Fee – 2017-18	£13,577
Fee – 2016-17	£14,031

Recommendations from 2016-17	Findings in 2017-18
The level of error related to overpayment classification was high. We would recommend the Council conduct refresher training with assessors and conduct quality checks in this area.	Similar findings were identified in 17-18. Further details of these findings are included in section 5.

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 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 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. 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. These are the main issues we reported:

Rent Allowance cases:

### *Misclassification of overpayments*

We did not identify any cases where expenditure was misclassified between eligible and local authority error overpayments. However, due to known issues in 2016/17 we undertook 40+ testing. Further testing identified four cases where expenditure was misclassified between eligible and local authority error overpayments by a value of £1,169. There was no impact on benefit paid to the claimant but this type of error would result in the incorrect subsidy being claimed from the DWP. We reported these findings and the extrapolated value of these errors, £48,012, to the DWP in our qualification letter.

The potential impact of this matter is significant to the Council. Should the DWP judge that subsidy has been overpaid and decide to adjust the certified claim for the value of the extrapolated error, the impacts would be:

- ▶ a decrease in subsidy of £19,205 as a result of reclassifying the overpayments from eligible to local authority; and
- ▶ a further decrease in subsidy of £119,661. The DWP award full subsidy for local authority and administrative delay overpayments if the total does not exceed a threshold. The impact of this adjustment would increase the total above the lower threshold resulting in the stated loss in subsidy.

## Housing benefits subsidy claim (cont...)

### *Earned Income errors*

We identified one case where earned income had been incorrectly calculated causing an overpayment of benefit with total value of £1. Extended testing was performed to the sub population of cases which have earned income. The testing identified two further overpayment of benefit with total value of £57 and four underpayments of benefit. For these cases, amendments have been made to individual claims in 2018-19, ensuring that the benefit paid to claimants has been corrected. We reported these findings and the extrapolated value of the overpayment errors, £1,596, to the DWP in our qualification letter;

### *Earned Income evidence*

In our extended testing for Earned Income errors we also identified six cases where there was insufficient supporting evidence to reperform the calculation of earned income. This is as a result of the Authority using the WURTI/VEP system, and being under the impression that all data would be retained, as in CIS. However when VEP was introduced all interest dates were overridden meaning that earlier data in some cases is no longer available. As a consequence, the Authority have changed their procedures and Officers now download a PDF of VEP data that has been used and scan this against the claim as evidence of earnings.

We have included this issue in our qualification letter as we have been unable to obtain the evidence to ensure the earned income is correct. Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the extrapolated effect, would be to reduce cells 102,103, 113 and 114 by £297,315, £78,005, £2,294 and £29,775 respectively with the corresponding entry in cell 113 of £407,389;

### *Missing claim forms*

We identified four cases, with total value £20,580, where the claim form could not be traced and the Council was unable to produce evidence that claim form was received. This was due to the original claim form, which pre-dated 2006, being destroyed in a fire at the Council's storage archive. As in prior years we reported this matter to the DWP in our qualification letter. Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the effect of these errors is to overstate cell 094 with a corresponding overstatement of cell 102 £17,862 and cell 095 £2,718; and

### *Misclassification of tenancy*

We identified one case where benefit had been misclassified as a cell 095 regulated tenancy, rather than in cell 110. We have not undertaken further testing as both cells attract subsidy at 100% and there is no impact on the amount of subsidy claimed.

The Authority will review all claims included in cell 095 to ensure they are correctly classified. We reported this finding to the DWP as an observation in our qualification letter.

## Housing benefits subsidy claim (cont...)

Non HRA (Housing Revenue Account) Rent Rebate cases:

### *Misclassification of overpayments*

We did not identify any cases where expenditure was misclassified between technical overpayments and either full subsidy or local authority error overpayments. However, due to known issues in 2016/17 we undertook 40+ testing.

Further testing identified one case where expenditure was misclassified between technical overpayments and eligible overpayments by a value of £8. There was no impact on benefit paid to the claimant but this type of error would result in the incorrect subsidy being claimed from the DWP. We reported this finding and the extrapolated value of this error, £11, to the DWP in our qualification letter;

### *Earned Income evidence*

In our extended testing we identified three cases where there was insufficient supporting evidence to reperform the calculation of earned income. This is as a result of the Authority using the WURTI/VEP system as discussed within the Rent Allowances section, above.

Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the effect would be to reduce cells 023 by £8,005 and cell 028 by £25 with the corresponding entry in cell 026 of £8,030. For non-HRA cases our testing covered the whole subpopulation and therefore an extrapolation was not required;

### *Overpayment allocation*

We identified three cases where the overpayment had been incorrectly split within Northgate. This resulted in technical overpayments being overstated by £143, and a corresponding understatement of eligible overpayments. The Authority have raised a query with DWP in respect of this error and are still awaiting a response. Until a response has been received the Authority has declined to undertake any further testing. Due to the different subsidy rates for technical and eligible overpayments, if the overpayments are incorrectly classified, it will mean the Authority has underclaimed subsidy. We reported these findings to the DWP as an observation in our qualification letter;

### *Underclaiming subsidy.*

We identified two instances where the Council had underclaimed subsidy.

One case where technical overpayment had been understated by a total value £484. The error arose through the system inappropriately netting down technical overpayment when a claimant moved from a Non HRA Rent Rebates property into a Rent Allowances property. This error will never have an impact on benefit paid to the claimant or subsidy recovered from the DWP; and

One case where an overpayment had been incorrectly classified as LA error and administrative delay by a total value of £71. The overpayment had arisen due to an update to earned income from an RTI. There was a delay in processing and the overpayment had been placed in cell 026. However, as this is an RTI update, the Authority had a 4 week grace period in which to process the change. The change has been processed within this time frame.

We reported both issues to the DWP as observations in our qualification letter.



02

## 2017-18 certification fees





## 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](http://www.psa.co.uk)).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,577	7,847	14,031

The increase in the actual fee from the indicative is a result of the additional work that we had to perform as a result of the errors reported in section 1. In the 2015/16 claim there were fewer errors, and therefore, less extended testing.



03

Looking forward



## Looking forward

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### 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 2019 the Council has appointed us to act as reporting accountants in relation to the Grant Claims.

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.



04

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
<p>The level of error related to overpayment classification remained high.</p> <p>We would recommend the Council continues to conduct refresher training with assessors and conduct more stringent quality checks in this area. We would also recommend that the Council undertakes spot checks on high value overpayments, to ensure the correct classification and reduce the risk of subsidy being withheld as a result of the level of errors exceeding the thresholds set by the DWP</p>	Medium	<p>We have recently put all assessors onto an overpayments training session. To build on this we will develop the checking regime to ensure that we see improvements in this area. As part of our recent restructure we appointed a systems specialist, part of whose role is to develop quality assurance particularly around subsidy issues. We will aim to get processes in place by the end of the year, we have already made good progress on this with the introduction of Northgate performance software. However this will be built upon to ensure that we are focusing our checking resources on the areas of greatest concern. These processes will focus on checking overpayments over £500 to ensure that they are correctly classified. I will be the person responsible for this with the support of the Benefits Principal Systems Administrator and the Principal Benefits Officer.</p>	1 April 2019	Marlene Rogers
<p>The Council should review all claims included in cell 095 regulated tenancies to ensure they are correctly included within this classification.</p>	Medium	<p>The claims for the County owned Gypsy &amp; Traveller transient site will be identified within cell 095. These claims were given the tenure type PTEN RT as this tenure type gave the desired level of subsidy as well as preventing the requirement for these claims to be sent to the Rent Officer for an opinion on the level of rent. These cells should appear in cell 110. This cell on the claim form should be used when the cases attract full subsidy but do not sit elsewhere within the subsidy claim. I am unclear whether Northgate has a mechanism to enable this to happen automatically, my assumption would be not. However this will be investigated, as well as perhaps claim flagging within Northgate. This will make it easier at end of year to manually shift the values for this expenditure into the correct cell, should it be determined that this cannot be an automated process. Again this will be developed and implemented by the end of the financial year, by myself and the Benefits Principal Systems Administrator, committing to ensuring the that 2018/19 claim is correct.</p>	1 April 2019	Marlene Rogers

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