

# Certification of claims and returns annual report 2016-17

Brentwood Borough Council

22 February 2018

Ernst & Young LLP



**EY**

Building a better  
working world

The Members of the Audit Committee  
Brentwood Borough Council  
Town Hall  
Ingrave road  
Brentwood  
Essex  
CM15 8AY

22 February 2018  
Ref: DH/HB17/BBC

Direct line: 07974 006715  
Email: [dhanson@uk.ey.com](mailto:dhanson@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2016-17 Brentwood Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Brentwood Borough 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, the PSAA 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 £15.7 million. We met the submission deadline. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in Section 1.

Fees for certification 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.psa.co.uk](http://www.psa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the 14 March 2018 Audit Committee.



Yours faithfully

**Debbie Hanson**  
Associate Partner  
Ernst & Young LLP  
Enc

# Contents

- 1. Housing benefits subsidy claim ..... 1**
- 2. 2016-17 certification fees ..... 4**
- 3. Looking forward ..... 5**
- Appendix 1: Matters giving rise to qualification..... 6**

## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£15,689,250
Amended/Not amended	Amended – subsidy reduced by £1,224
Qualification letter	Yes
Fee – 2016-17	£28,565
Fee – 2015-16	£33,606

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 more extensive ‘40+’ or extended testing if initial testing of a sample of 20 cases 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 and carried out extended testing in several areas. Our extended and other testing identified errors which the Council amended. The overall impact on the claim was to reduce subsidy claimed by £1,224.

We have reported overpayments, underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Authority to carry out further work to quantify the error or to claw back the benefit subsidy paid. In a letter dated the 19 January 2018, the DWP have asked the Authority to carry out further work in relation to cases where we reported a lack of evidence due to system conversion issues to enable us to quantify the impact on subsidy claimed in line with DWP guidance. This work is still being completed.

Our testing identified errors in relation to both rent allowance and rent rebate payments as well as system conversion issues. We have summarised below the main issues we reported in our qualification letter, which is included at Appendix 1:

- Civica software version

Our testing identified that the authority was using the incorrect version of the Civica software at year end. A new claim extract was run on the correct version and the total subsidy was £3,303 less than on the subsidy claim presented for audit. The claim was not amended to reflect this change, but this was reported to the DWP in our qualification letter.

- System conversion issue

During the 2015/16 year the Authority changed housing benefit system from Northgate to Civica system. Our testing as part of the 2016/17 grant certification process has identified that certain evidence which was embedded the Northgate interface and not held as separate pieces of evidence has not transferred to Civica. We have been unable to determine the effect on the benefit paid, and therefore subsidy claimed, for these cases as, although the calculations available have been performed correctly, the Authority is not able to provide the evidence to fully support them for the whole year. We have recognised this is a system conversion issue which is specific to this year, and have therefore not classified the above as errors for subsidy purposes in our initial qualification letter. As noted above, the DWP has now written back to the Authority and asked for further work to be undertaken by the Authority on these cases to enable us to quantify the impact on subsidy claimed in line with DWP guidance.

- Rent allowances

Initial testing identified:

- 1 case where the incorrect child tax credit was used
- 1 case where the child tax credit amount could not be evidenced due to the system conversion issue
- 2 cases where the Authority had overpaid benefit as a result of applying the incorrect rent
- 1 case where the student loan amount used was incorrect when assessing income
- 2 cases where the earnings were calculated incorrectly

Extended '40+' testing was undertaken for incorrect child tax credits and student loan amounts, identifying 16 further errors. These errors were due to a lack of child tax credit evidence in relation to the system conversion issue mentioned above. These errors were therefore not included in our extrapolation calculation. The extrapolated impact of the other errors was an over claim of subsidy of £4,968.20.

Extended '40+' testing was undertaken for incorrect rent amounts, identifying 2 further errors. One of these errors was due to a lack of rent officer evidence in relation to the system conversion issue mentioned above. This error was therefore not included in our extrapolation calculation. The extrapolated impact of the other error was an over claim of subsidy of £5,120.63

Extended '40+' testing was undertaken for earnings calculated incorrectly, identifying 4 further errors. The extrapolated impact of the other errors was an over claim of subsidy of £12,420.39

Initial testing of the rent allowance eligible overpayments did not identify any errors in classification of the type of overpayment. However, given the level of previously reported errors in overpayment classification, additional '40+' testing was undertaken. This identified 8 cases where the overpayment was incorrectly classified as eligible overpayment (on which the Authority receives 40% subsidy) rather than local authority error (on which the Authority receives no subsidy). As a result subsidy has been over claimed. The impact of these errors when extrapolated was to overstate eligible overpayments by £3,422.95.

- Rent rebates (HRA properties)

Initial testing identified:

- 2 cases where the authority had overpaid benefit as a result of using the incorrect pension amount.
- 3 cases where the authority had underpaid benefit as a result of using the incorrect pension amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

Extended '40+' testing was undertaken for incorrect pension amounts, identifying no further errors which resulted in overpayment of benefit. The extrapolated impact of the initial errors was an over claim of subsidy of £4,574.27.

Initial testing of the classification of rent allowance eligible overpayments did not identify any errors. However, given the level of previously reported errors in overpayment classification, additional '40+' testing was undertaken. This identified 7 cases where the overpayment was incorrectly classified as eligible overpayment (on which the Authority receives 40% subsidy) rather than local authority error (on which the Authority receives no subsidy). As a result subsidy has been over claimed. The impact of these errors when extrapolated was to overstate eligible overpayments by £587.83.

- Rent rebates (Non HRA properties)

Initial testing identified:

- 1 case where the child disability premium had not been applied to the claim. As there is no eligibility to subsidy for benefit which has not been paid, this has not been classified as an error for subsidy purposes.

- 2 cases where the Authority could not provide evidence for amounts posted to Cell 023. This error has not been extrapolated as we reported of the total value in this cell of -£3,024 as amount that could be evidenced.
- 1 case where the incorrect child tax credit amount was applied to the claim
- 1 case incorrect rent amount was applied to a claim

Extended '40+' testing was undertaken for incorrect child tax credits, identifying 17 further errors. 16 of these errors were due to a lack of child tax credit evidence in relation to the system conversion issue mentioned above. These errors were therefore not included in our extrapolation calculation. The extrapolated impact of the other errors was an under claim of subsidy of £335.64.

Extended '40+' testing was undertaken for incorrect rent amounts, identifying 3 further errors. The extrapolated impact of the errors was an over claim of subsidy of £337.08

## 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) in March 2016 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	To be confirmed	28,565	33,606

The final fee will be determined once the additional work to respond to the DWP letter of 19 January has been completed. Any variations to the indicative fee set by PSAA will be discussed and agreed with the Authority and PSAA.



### 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 £33,606. 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:

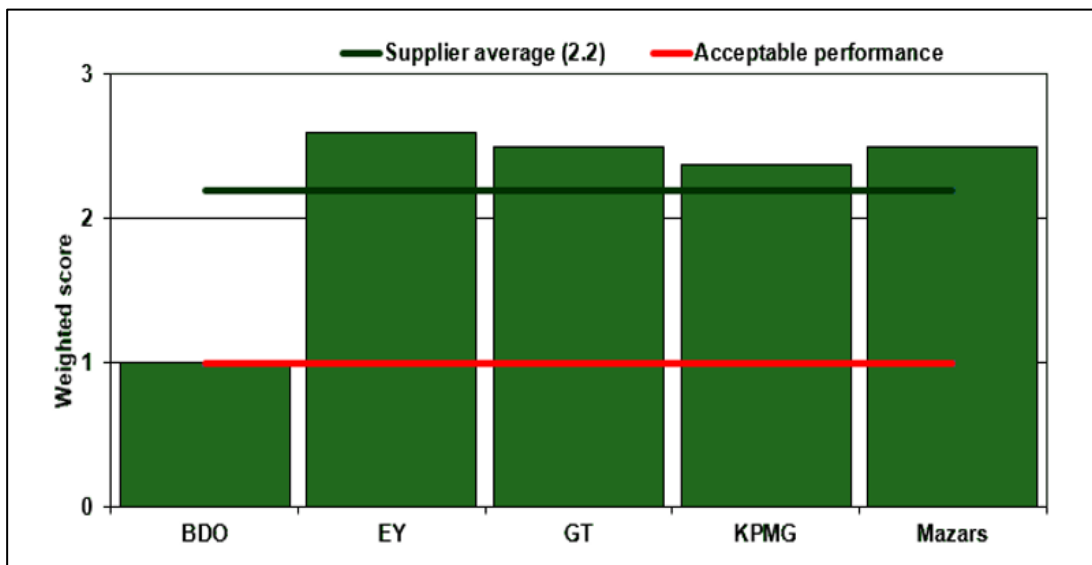
<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of 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 in early 2018.

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).



## Appendix 1: Matters giving rise to qualification

### Cross cutting issues

#### Civica system version

Through the testing of Module 5 it was identified that the authority were using version 17.0.02 at year end when they should have been using version 17.1 or above.

The authority have stated that this was due to the version 17.1 release not being received from Civica until 28/3/17 and it not being possible to complete the necessary testing to satisfy the release before the live implementation in the 3 days remaining from date of receipt to year end. As such the older release (17.0.02) was used to produce the claim at year end.

The client ran a second claim form on the updated version of Civica. We compared each of the headline cells to the claim form submitted and audited.

We confirmed that the new claim extract was run on the correct version and the total subsidy was £3,303 less than on the audited subsidy claim. The claim has not been amended to reflect this change.

#### System conversion issue

During the 2015/16 year the Authority changed housing benefit system from Northgate to Civica system. Our testing as part of the 2016/17 grant certification process has identified that certain evidence which was embedded the Northgate interface and not held as separate pieces of evidence has not transferred to Civica. As a result, we have identified as part of our testing several cases where the Authority has been unable to fully support figures for the whole year for:

- Child tax credits
- Rent officer determinations
- Pension uprating values

We have been unable to determine the effect on the benefit paid and therefore subsidy claimed for these cases as although the calculations available have been performed correctly, the authority is not able to provide the evidence to fully support them for the whole year. We have recognised this is a system conversion issue which is specific to this year, and have therefore not classified the above as errors for subsidy purposes. Therefore none of the above errors have been identified as overpayments or underpayments and have not been included in extrapolations.

### Qualifications on individual cells

#### Rent Allowances

## **Cell 094 Rent Allowances**

*Cell 094 Total: £9,292,922*

*Cell population 1,809 Cases*

*Headline Cell 094 total: £9,292,922*

Testing of the initial sample identified:

- 1 case where the incorrect child tax credit was used
- 1 case where the child tax credit amount could not be evidenced due to the system conversion issue referred to in the cross cutting section of this qualification letter
- 2 cases where the Authority had overpaid benefit as a result of applying the incorrect rent
- 1 case where the student loan amount used was incorrect when assessing income
- 2 cases where the earnings were calculated incorrectly

Each of these error types is dealt with separately below.

### **Incorrect child tax credit and student loan amounts**

Testing of the initial sample identified errors that lead to both underpayment and overpayment of subsidy:

- 1 case (total value £4,381.48) where the incorrect child tax credit was used, resulting in an underpayment of benefit. 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;
- 1 case (total value £2,749.06) where the Authority had overpaid benefit as a result of use of incorrect student loan value. The effect of this error is to overstate Cell 102 with a corresponding understatement of Cell 113. There is no effect on cell 94; and
- 1 case (total value £7,991.01) where we were unable to confirm the level of child tax credit due to the subsidy conversion issues referred to the cross cutting section of this qualification letter. This has therefore not been classified as an error for subsidy purposes for the reasons set out previously in this qualification letter

A further sample test of 40 cases was performed. Testing identified 16 cases where child tax credit values could not be confirmed due to the system conversion issues referred to in the cross cutting section of this qualification letter. No other errors were identified. We have not extrapolated the 16 cases as the effect on benefit and the subsidy claim could not be determined as outlined above in the cross cutting issues.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect child tax credits/ student loan	£9,292,921.52	£169.00	£110,147.66	0.15%	
Additional Sample - 40 Cases	No fails	£9,292,921.52	£0	£205,963.62	0.00%	
<b>Combined Sample - 60 Cases</b>	Incorrect child tax credits/ student loan	£9,292,921.52	<b>£169.00</b>	<b>£316,111.28</b>	<b>0.05%</b>	<b>£4,968.20</b>
Adjustment	Combined sample, Cell 102 is overstated	£9,292,921.52	£169.00	£316,111.28	0.05%	£4,968.20
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£4,968.20</b>

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £6.5 to £117.00, and the benefit periods range from 1 weeks to 18 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

### Incorrect rent amounts

Testing of the initial sample identified errors that lead to the underpayment and overpayment of subsidy.

- ▶ 1 case (total value £5,483.87) where the Authority had overpaid benefit as a result of using the incorrect rent amount. As a result subsidy has been overpaid and cell 102 is overstated, with a corresponding understatement of cell 113; there is no impact on cell 094.
- ▶ 1 case (total value £2,749.06) where the Authority had underpaid benefit as a result of using the incorrect rent amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

Testing of an additional sample of 40 cases identified one further error (total value £470.76) resulting in an overpayment of £74.11. One other error found was due the rent officer determinations not being available due to the system conversion issue as referred to in the cross cutting issues section above. This was therefore not treated as a fail for subsidy purposes.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect rent amount	£9,292,921.52	£101.83	£110,147.66	0.09%	
Additional Sample - 40 Cases	Incorrect rent amount	£9,292,921.52	£74.11	£209,148.09	0.04%	
<b>Combined Sample - 60 Cases</b>	Incorrect rent amount	£9,292,921.52	<b>£175.94</b>	<b>£319,295.75</b>	<b>0.06%</b>	<b>£5,120.63</b>
Adjustment	Combined sample, Cell 102 is overstated	£9,292,921.52	£175.94	£319,295.75	0.06%	£5,120.63
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£5,120.63</b>

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £74.11 to £101.83, and the benefit periods range from 1.43 weeks to 51.43 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

### Earnings were calculated incorrectly

Testing of the initial sample identified errors that lead to the underpayment and overpayment of subsidy.

- ▶ 2 cases (total value £6,968.24) where the Authority had overpaid benefit as a result of using the incorrect earned income amount. As a result subsidy has been overpaid and cells 102 and 114 are overstated, with a corresponding understatement of cell 113; there is no impact on cell 094.
- ▶ 1 case (total value £2,749.06) where the Authority had underpaid benefit as a result of using the incorrect earned income amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

Testing of a further sample test of 40 cases identified a further 4 errors (total value £13,454.12) resulting in an overpayment of £312.69.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect earned income	£9,292,921.52	£84.59	£110,147.66	0.08%	
Additional Sample - 40 Cases	Incorrect earned income	£9,292,921.52	£312.69	£187,096.76	0.17%	
<b>Combined Sample - 60 Cases</b>	Incorrect earned income	£9,292,921.52	<b>£397.28</b>	<b>£297,244.42</b>	<b>0.13%</b>	<b>£12,420.39</b>
Adjustment	Combined sample, Cell 102 is overstated	£9,292,921.52	£32.10	£297,244.42	0.01%	£1,003.56
Adjustment	Combined sample, Cell 103 is overstated	£9,292,921.52	£274.93	£297,244.42	0.09%	£8,595.29
Adjustment	Combined sample, Cell 113 is overstated	£9,292,921.52	£6.10	£297,244.42	0.00%	£190.71
Adjustment	Combined sample, Cell 114 is overstated	£9,292,921.52	£84.15	£297,244.42	0.03%	£2,630.83

<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£12,420.39</b>
---------------------------------------	---	--	--	--	--	-------------------

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £0.09 to £202.32, and the benefit periods range from 0.14 weeks to 29 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

### Cell 114 – Rent Allowance Eligible Overpayment (Current Year)

*Cell 114 Total: £228,504.07*

*Cell population 511 Cases*

*Headline Cell (094): £9,292,922*

Testing of the initial sample did not identify any errors. Given the level of previously reported fails in relation to overpayment classification an additional random sample of 40 cases from cell 114 was selected for review to check for overpayment classification.

This identified eight errors:

- Eight cases (total value £2,644.84) misclassified where the overpayment should have been classified in cell 113 (LA error and administrative delay overpayments) instead of cell 114 (eligible overpayments): error type 4 – expenditure misclassification. Consequently, cell 114 is overstated and cell 113 is correspondingly understated. There is no effect on cell 094.

The result of my testing is set out in the table below:

<b>Sample:</b>	<b>Movement / Brief note of Error</b>	<b>Original Cell Total – Sub Population</b>	<b>Sample Error</b>	<b>Sample Value</b>	<b>% Error Rate</b>	<b>Cell Adjustment</b>
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	No fails	£228,504.07	£0	£110,147.66	0%	
Additional Sample - 40 Cases	Cell 114 overstated Cell 113 understated	£228,504.07	£1,945.70	£19,740.39	9.86%	

<b>Combined Sample - 60 Cases</b>	<b>Cell 114 overstated Cell 113 understated</b>	£228,504.07	<b>£1,945.70</b>	<b>£129,888.05</b>	<b>1.50%</b>	<b>£3,422.95</b>
Adjustment	Combined sample, Cell 114 is overstated	£228,504.07	£1,945.70	<b>£129,888.05</b>	1.50%	£3,422.95
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£3,422.95</b>

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £0.70 to £439.04, and the benefit periods range from 1 week to 7 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Similar issues were included in my prior year qualification letter.

## Rent rebates

### Cell 055 Rent Rebates (Tenants of HRA Properties)

*Cell 055 Total: £6,378,839.40*

*Cell 055 Population: 1654 Cases*

*Headline Cell 055 total: £6,378,839.40*

Testing of the initial sample identified errors that lead to the underpayment and overpayment of subsidy.

- ▶ 2 cases (total value £6,948.34) where the authority had overpaid benefit as a result of using the incorrect pension amount. As a result subsidy has been overpaid and cell 61 is overstated, with a corresponding understatement of cell 65 there is no impact on cell 055.
- ▶ 3 cases (total value £7,917.63) where the authority had underpaid benefit as a result of using the incorrect pension amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

A further sample test of 40 cases was performed. Testing did not identify any further errors which resulted in overpayment of benefit.

The result of my testing is set out in the table below:



Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect pension amount	£6,378,839.40	£160.27	£79,058.95	0.20%	
Additional Sample - 40 Cases	No fails	£6,378,839.40	£0	£144,438.44	0.00%	
<b>Combined Sample - 60 Cases</b>	Incorrect pension amount	£6,378,839.40	<b>£160.27</b>	<b>£223,497.39</b>	<b>0.07%</b>	<b>£4,574.27</b>
Adjustment	Combined sample, Cell 61 is overstated	£6,378,839.40	£104.52	£223,497.39	0.05%	£2,983.11
Adjustment	Combined sample, Cell 67 is overstated	£6,378,839.40	£55.75	£223,407.39	0.02%	£1,591.16
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 65</b>					<b>£4,574.27</b>

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £2.30 to £104.52, and the benefit periods range from 0.57 weeks to 52 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

### Cell 67 – Rent Rebates Eligible Overpayment (Current Year)

*Cell 067 Total: £92,798.24*

*Cell 055 Population: 376 Cases*

*Headline Cell 055 total: £6,378,839.40*

Testing of the initial sample did not identify any errors. Given the level of previously reported fails in relation to overpayment classification an additional random sample of 40 cases from cell 67 was selected for review to check for overpayment classification.

Our testing identified 7 errors (total value £1,159.67). The overpayment should have been classified in cell 65 (LA error and administrative delay overpayments) not cell 67(Eligible overpayments). Consequently, cell 67 is overstated and cell 65 is correspondingly understated, there is no effect on cell 055.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total – Sub Population	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	No errors	£92,798.24	£0	£79,058.95	0%	
Additional Sample - 40 Cases	Incorrect classification of overpayment	£92,798.24	£543.46	£6,735.27	8.07%	
<b>Combined Sample - 60 Cases</b>	<b>Cell 67 overstated Cell 65 understated</b>	£92,798.24	<b>£543.46</b>	<b>£85,794.22</b>	<b>0.63%</b>	<b>£587.83</b>
Adjustment	Combined sample, Cell 67 is overstated	£92,798.24	£543.46	<b>£85,794.22</b>	0.63%	£587.83
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 65</b>					<b>£587.83</b>

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £2.08 to £77.84, and the benefit periods range from 1 week to 26 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Similar issues were included in my prior year qualification letter.

### Cell 011 Rent Rebates (Tenants of Non HRA Properties)

*Cell 011 Total: £305,539.00*

*Cell 011 Population: 95 Cases*

*Headline Cell 011 total: £305,539.00*

### Testing of the initial sample identified:

- 1 case where the child disability premium had not been applied to the claim even though a child in the house was receiving child disability allowance.
- 2 cases where the Authority could not provide evidence for amounts posted to Cell 023 (Not otherwise separately identified)
- 1 case where the incorrect child tax credit amount was applied to the claim
- 1 case incorrect rent amount was applied to a claim

Each of these error types is dealt with separately below.

#### **Child disability premium not applied to claim**

Testing of the initial sample identified 1 case (total value £2,359.33) where the benefit had been underpaid. The underpayment was caused by the authority failing to apply child disability premium to a claim even though a child in the household was in receipt of disability living allowance. This can only ever lead to an understatement as the applicable amount has been understated.

As there is no eligibility to subsidy for benefit which has not been paid, this has not been classified as an error for subsidy purposes.

No similar findings have been included in my previous qualification letters.

#### **No evidence to support expenditure relating to Cell 023**

Testing of the initial sample identified 2 cases (total value £3,039.93) where a total amount of £158.40 could not be evidenced after being allocated to Cell 023 (Expenditure not separately identified). This error has not been extrapolated as we have reported of the total value of Cell 023 in the observation section below.

Similar findings have been included in my previous qualification letters.

#### **Incorrect child tax credit amount applied**

Testing of the initial sample identified one case (total value £883.86) where benefit had been underpaid. This was due to the incorrect amount being applied for child tax credits. As there is no eligibility to subsidy for underpayments, these errors have not been extrapolated in the table below. However, as errors in application of child tax credits could result in overpayments an additional random sample of 40 cases was tested. This testing identified a further 16 cases with errors. All 16 of these cases had errors relating to the lack of evidence to support the child tax credit as a result of the system conversion issue reported in the cross cutting issues section of this report. In addition one case has an overpayment of £178.71 due to the use of an incorrect child tax credit figure. We have not include the 16 errors relating to lack of evidence in the extrapolation as the effect on the subsidy claim could not be determined, as set out above under system conversion issues in the cross cutting issues section.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	No error	£305,539.00	£0	£50,175.49	0.00%	
Additional Sample - 40 Cases	Incorrect child tax credit	£305,539.00	£178.71	£112,505.60	0.16%	
<b>Combined Sample - 60 Cases</b>	Incorrect child tax credit	£305,539.00	<b>£178.71</b>	<b>£162,681.09</b>	<b>0.11%</b>	<b>£335.64</b>
Adjustment	Combined sample, Cell 12 is overstated	£305,539.00	£178.64	£162,681.09	0.11%	£335.51
Adjustment	Combined sample, Cell 14 is overstated	£305,539.00	£0.07	£162,681.09	0.00%	£0.13
<b>Total corresponding adjustment</b>	<b>Total understateme nt of Cell 26</b>					<b>£335.64</b>

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £1.47 to £171.50, and the benefit periods range from 0.43 weeks to 50 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

### Incorrect rent amount applied

Testing of the initial sample identified 1 case (total value £1,871.43) where benefit was overpaid. This was due to the incorrect amount being applied to the claims for rent.

Testing of an additional random sample test of 40 cases identified 3 further cases (total value £6,192.73) where the incorrect rent amount had been used, resulting in both

underpayment and overpayments. As there is no eligibility to subsidy for benefit which has not been paid, these have not been classified as an error for subsidy purposes.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect rent amount	£305,539.00	£33.12	£50,175.49	0.07%	
Additional Sample - 40 Cases	Incorrect rent amount	£305,539.00	£165.14	£129,533.74	0.13%	
<b>Combined Sample - 60 Cases</b>	Incorrect rent amount	£305,539.00	<b>£198.26</b>	<b>£179,709.23</b>	<b>0.11%</b>	<b>£337.08</b>
Adjustment	Combined sample, Cell 12 is overstated	£305,539.00	£33.12	£179,709.23	0.02%	£56.31
Adjustment	Combined sample, Cell 13 is overstated	£305,539.00	£165.14	£179,709.23	0.09%	£280.77
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 26</b>					<b>£337.08</b>

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £14.86 to £69.36, and the benefit periods range from 1.43 weeks to 5.14 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

## Observations

### Cells 055 and 061 & Cells 023 and 011: Rent Rebates & Non HRA Rent rebates Misclassification between cells

Testing of the initial sample identified 1 case where recovered overpayment of £667.24 was allocated to Cell 061 (Headline Cell 055) instead of Cell 023 (Headline Cell 011) where it was recorded as a negative amount. As a result expenditure that should have been shown in the Non HRA rent rebates Cells 011 and 023 appears in the rent rebate Cells 055 and 061.

The above error was a system error that could not be duplicated. The detail cells between which this case was incorrectly allocated attract the same subsidy values. Therefore no additional 40+ testing has been undertaken in relation to this error

The Authority has confirmed the nil subsidy impact, and has therefore not amended the claim form in relation to this error.

**Cell 023 (Headline Cell 011) – Rent Rebates (Tenants of Non HRA Properties)**  
**Cell 23 cell value: -£3,204**

We have noted from our initial testing above that the authority was unable to provide any evidence for amounts allocated to Cell 23 (Expenditure not otherwise separately identified).

The total value in this cell is a negative £3,204. This therefore reduces the headline Cell 11 value and the subsidy claimed by the authority. We have been unable to verify any of the amounts contained in Cell 23.

EY | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](http://ey.com)