



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

Tendring District Council

December 2018



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Members of the Audit Committee

10 December 2018

Tendring District Council
Town Hall
Station Road
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Dear Audit Committee Members

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Tendring District Council's 2017-18 claims.

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 24 January 2019.

Yours faithfully

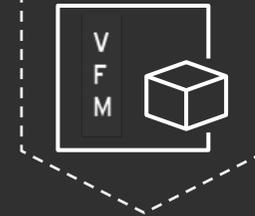
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Associate Partner
For and on behalf of Ernst & Young LLP

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This report is made solely to the Audit Committee and management of Tendring 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 Tendring 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 Tendring 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	£59,485,973
Amended/Not amended	Amended - subsidy reduced by £4
Qualification letter	Yes
Fee - 2017-18	£16,025
Fee - 2016-17	£12,380

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-populations.

To undertake the required extended testing, the Council provided reports for the sub populations of all cases within rent allowance in receipt of Rent Allowance State Retirement Pension, Industrial Injury Disability Benefit and Earned income. The Council ran the reports on the 1st April 2018. However, if a claimant was in receipt of any of these three types of income prior to this date but was no longer receiving this type of income, on the day the report was run, then the case would not appear in the sub-population.

The Authority has advised the only way to obtain a complete report for these sub-populations would be to run the income elements report every day and which is not considered feasible. We have therefore not amended for any errors arising from extended testing on these benefits but reported the findings in our Letter.

Housing benefits subsidy claim

Cross-cutting issues: Audit trails for sub-populations.

In respect of the errors on State Retirement Pension and Earned Income, the errors would only impact on non-passported cases only. Non-passported cases relate to individuals or couples claiming benefit) who do not receive either Income Support, Jobseeker's Allowance Employment and Support Allowance or Pension Credit. Individuals or couples which do receive these benefits are automatically passported onto full Housing Benefit.

However, the Authority's report as at 1st April 2018 does not have the function to filter reports to show either non-passported or passported cases. We have performed extra work to produce two extrapolations based on populations which both include and exclude passported cases to report in the Letter.

Non Housing Revenue Account Rent Rebates: Incorrect End Date

- ▶ Initial testing identified one error, where the Council had processed the incorrect end date to a claim resulting in an overpayment of benefits.
- ▶ Our extended testing identified two further errors which resulted in an underpayment of benefit. As there is no eligibility for subsidy for benefit that has not been paid, the underpayment was not classified as an error for subsidy purposes and has no impact on the claim. The extrapolated impact of the errors result in overpayment of subsidy of £66.

Rent Allowances: Incorrect Calculation of earned income

- ▶ Initial testing identified one error, where the Council had miscalculated the amount of taxation within earned income resulting in an overpayment of benefits.
- ▶ Our extended testing identified one further miscalculation where the Council had not deducted Employee's National Insurance from earned income and four cases which resulted in an underpayment of benefit. As there is no eligibility for subsidy for benefit that has not been paid, the four underpayments were not classified as errors for subsidy purposes and have no impact on the claim. The extrapolated impact of the two errors resulted in overpayment of subsidy of £1,386 excluding passported cases and £1,349 including passported cases.

Rent Allowances: Incorrect Start Date and Incorrect Calculation of State Retirement Pension

- ▶ Our initial testing found no errors arising from an incorrect start date applied for changes to state retirement pension. However, we have included this matter within previous Qualification Letters and we have an expectation of errors in respect of state retirement pension. Therefore, the Authority undertook additional testing on a sample of 40 cases from a sub-population of state retirement pension cases.
- ▶ Our extended testing identified an overpayment of housing benefit because the Council had not used the correct state retirement figure. The extrapolated impact of the error resulted in overpayment of subsidy of £2,517 excluding passported cases and £1,342 including passported cases.

Housing benefits subsidy claim

Rent Allowances: System Error: Overpaid Benefit

- ▶ In August 2016 the Department for Work and Pensions implemented its Payment Deductions Project (PDP), creating an interface for the recovery of Housing Benefit debts from Universal Credit and non-Universal Credit Benefits. In checking the underlying workbook in support of the claim we noted two discrepancies for local authority (LA) error of £498.68 and eligible error of £5,864.44.
- ▶ Our sample testing confirmed that the PDP system appeared to have incorrectly imported all of these prior year overpayments into the 2017/18 Subsidy claim cells. In all cases tested, the Authority had already claimed the overpayments in previous subsidy years ranging from 2013/14 to 2016/17.
- ▶ The Council declined to test all 34 LA and 195 claimant cases considering that it would not be a cost-effective exercise. We can therefore not conclude if the discrepancies are fairly stated and we have reported the matter to the DWP.

Rent Allowances: Amendment to Claim

- ▶ The Council had incorrectly recorded a returned payment through the Bank Automated Clearing System (BACs) within the underlying workbook in support of the claim. As the Council had reviewed all relevant cases we agreed an amendment to the claim, which resulted in a reduction in subsidy of £4.

Modified Schemes and Industrial Injury Disability Benefits

- ▶ We found no errors from the initial testing of modified schemes and extended testing of Industrial Injury Disability Benefits.



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.psaa.co.uk).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£16,025	£13,110	£12,380

The indicative scale fee for 2017/18 of £13,110 is based on the final fee charged in 2015/16.

Our final fee for 2017/18 is £16,025, an increase of £2,915 arising from:

- Reporting in the Qualification Letter that the Council could not provide separate non-passported and passported audit trails and the calculation of two additional extrapolation tables for the Letter;
- Investigation, testing and reporting in the Qualification Letter of the duplicate payment system Payments Deductions Project error This involved an extra six cases that were tested compared to 2015/16;
- Review and documentation of manual adjustments and exceptions to the claim which are listed in the workbook from which the claim is derived. The document of our review covered eight areas covering 52 entries involving an extra sample of five cases compared to 2015/16 ; and
- Testing of returned Bank Automated Clearing System payments, which resulted in an amendment to the claim, involving testing of an extra sample of five cases compared to 2015/16 .

We have discussed and agreed the overall fee reduction and final fee with the Head of Finance, Revenues and Benefits. The final fee is subject to agreement by Public Sector Auditor Appointments Ltd.

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