



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

New Forest District Council
January 2019



EY

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working world



Members of the Audit Committee

January 2019

New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst
SO43 7PA

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 New Forest 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 Friday 25 January 2019.

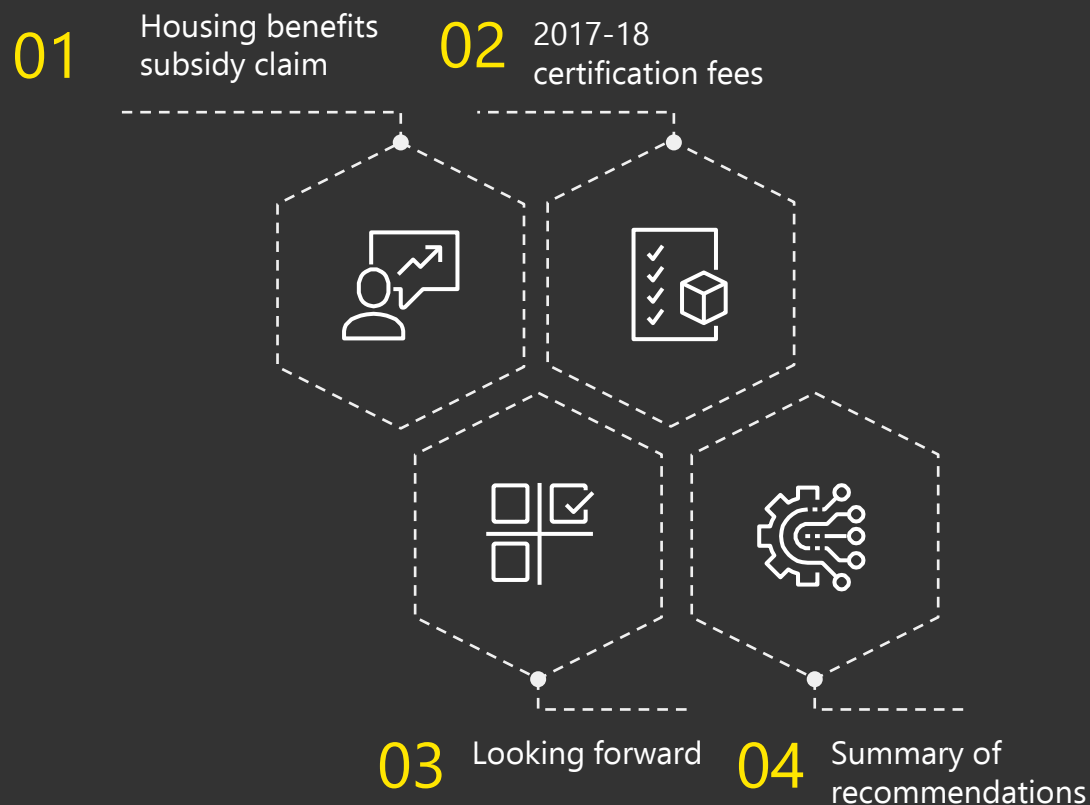
Yours faithfully

Kevin Suter

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 New Forest District Council. Our work has been undertaken so that we might state to the Audit Committee and management of New Forest 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 New Forest 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	£39,284,266
Amended/Not amended	Amended – subsidy increased by £1,933
Qualification letter	Yes
Fee – 2017-18	£11,770
Fee – 2016-17	£4,253

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.

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 our further work to quantify the error or to claw back the benefit subsidy paid.

A summary of the issues identified and their impact is presented on the next page.

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 our 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.

Housing benefits subsidy claim

Non Housing Revenue Account Rent Rebates: Incorrect Application of Family Premium

- ▶ Initial testing identified one error, where the Council had where the Authority had overpaid benefit as a result of incorrectly applying family premium when the claimant was not entitled to the allowance.
- ▶ Our extended testing identified no further errors. The extrapolated impact of the errors resulted in an overpayment of subsidy of £86.

Non Housing Revenue Account Rent Rebates: Incorrect Calculation of Earned Income

- ▶ Initial testing identified one error, where the Council had miscalculated earned income resulting in an underpayment of benefits. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy, and thus has not been classified as error for subsidy purposes. However, given the nature of the population and the error found which in other circumstances may have led to an overpayment, an additional random sample of 40 cases was selected for testing from a subpopulation of cases with earnings
- ▶ Our extended testing identified eight further errors relating to the calculation of earned income. Four of these cases resulted in an overpayment of benefits, and four cases resulted in an underpayment of benefits. 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 errors resulted in an overpayment of subsidy of £293.

Rent Allowances: Incorrect Calculation of weekly rent liability

- ▶ Initial testing identified three errors, where the Council had miscalculated weekly rent liability resulting in an overpayment of benefits.
- ▶ Our extended testing identified two further cases where the council had miscalculated weekly rent liability resulting in an underpayment of benefit. As there is no eligibility for subsidy for benefit that has not been paid, the two underpayments were not classified as errors for subsidy purposes and have no impact on the claim. The extrapolated impact of the three errors resulted in overpayment of subsidy of £134.

Rent Allowances: Incorrect Calculation of Earned Income

- ▶ Initial testing identified one error, where the Council had miscalculated earned income resulting in an overpayment of benefits.
- ▶ Our extended testing identified nine further errors relating to the calculation of earned income. Five of these cases resulted in an overpayment of benefits, and four cases resulted in an underpayment of benefits. 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 errors resulted in an overpayment of subsidy of £61.



02

2017-18 certification fees





2017-18 certification fees

The PSAA determine an indicative fee each year for the certification of the housing benefits subsidy claim. For 2017-18 they are based on the outturn from 2015/16. These indicative 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	£11,770	£5,492	£4,253

The significant increase in fee is due to the increased number of errors and therefore additional work required in 2017/18 when compared to 2015/16.

The indicative scale fee for 2017/18 of £5,492 is based on the final fee charged in 2015/16. In that year there was only one extended testing sample.

Our final fee for 2017/18 is £11,770, an increase of £6,278. Based on the errors described in section 1 of this report, we required additional time to complete compared to the 2015/16 baseline year. An additional 5 lots of extended testing were performed.

The 40+ testing initially performed by the client had to be re-captured in the HBCount workbooks, and test a sample of 10% of passed cases and all fails. The earnings workbooks in particular contained a number of complex failed cases which each took several hours to create and review.

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



03

Looking forward



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.

These new freedoms represent an opportunity for Local Authorities to engage a Reporting Accountant that is not necessarily the same as the one appointed to undertake the audit of the financial statements, but rather one that it feels will best serve its assurance requirements.

Although we have not been selected to undertake the Housing Benefit Assurance Process for the Council for 2018/19, as the assurance provider to over 160 Local Government bodies, we believe that we are well placed to provide these services to you and can draw on a vast array of experienced and knowledgeable professionals to deliver the quality assurance that Local Government needs in these challenging times.

If you would like us to quote for the provision of grant claim work, please contact Kevin Suter who will be happy to discuss your requirements and provide a competitive quotation.



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
Work with Northgate to quantify the extent of the misclassification error between cells 14 and 15 and account for the error in a future subsidy claim	High	<p>As part of our initial testing, we noted a fail which resulted in the incorrect classification of subsidy between underlying cells 14 & 15 (total error value £13.85). The Authority has confirmed that this has been a Northgate system error to be patched in 2018/19. Correspondence between the Authority and the Software Provider has confirmed the issue.</p> <p>The Authority has also logged this issue with the DWP. The Authority has considered if they could run any reports to identify potential claims which have been affected by this bug, and have concluded they are not able to do so due to the complexity of the issue. They will apply the fix to correct any affected claims (if any more) as soon as Northgate provide a solution and can confirm this in a future subsidy claim check.</p>	Action to be completed in time for 2018/19 Housing Benefit Grant Certification work	Sue Mullins

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