

The Members of the Performance and Audit Committee
Uttlesford District Council
Council Offices
London Road
Saffron Walden
CB11 4ER

12 February 2015

Ref: UDC122014

Direct line: 07974 006715

Email: dhanson@uk.ey.com

Dear Members

Certification of claims and returns annual report 2013-14 Uttlesford District Council

We are pleased to report on our certification work. This report summarises the results of our work on Uttlesford District Council's 2013-14 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2013-14 certification work and highlights the significant issues.

We checked and certified one claim and one return (housing benefits and pooling of capital receipts) with a total value of £17.5 million. We met submission deadlines for the both of these. We issued a qualification letter in relation to the housing benefit claim which detailed a number of issues identified as a result of our work. Details of the qualification matters are included in section 2. Our certification work found some errors which the Council corrected. The amendments had a marginal effect on the grant due.

We made a number of recommendations in relation to the housing benefit claim following the completion of our audit last year. Due to the timing of the completion of the 2012-13 audit (work was not completed until January 2014) the Council had little time to implement measures to address the weaknesses found before the 2013/14 benefit year was complete. Remedial work to address the 2012-13 findings commenced in January 2014, with the aim of ensuring improvements are made in 2014/15. Further details are included in section 1 of this report. We have made further recommendations this year, set out in section 4.

Fees for certification work are summarised in section 2. The indicative fees for 2013-14 are based on final 2011-12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification have been removed, and the fees for certification of housing benefit subsidy claims have been reduced by 12 per cent. This is to reflect the removal of council tax benefit from the scheme. The additional fee we have included for the housing benefit work for Uttlesford Council has been agreed with the Authority and approved by the Audit Commission.

We welcome the opportunity to discuss the contents of this report with you at the next Performance and Audit committee.



Yours faithfully

A handwritten signature in black ink that reads 'Debbie Hanson'. The signature is written in a cursive style with a large, looped 'D' at the beginning.

Debbie Hanson
Director
Ernst & Young LLP
Enc

Certification of claims and returns annual report 2013-14

Contents

1. Summary of 2013-14 certification work.....	1
2. 2013-14 certification fees	4
3. Looking forward	5
4. Summary of recommendations.....	6
Appendix A: Housing benefits claim 2013/14 – findings from initial testing.....	9
Appendix B: Housing benefits claim 2013/14 – Qualification Letter	12

1. Summary of 2013-14 certification work

We were required to certify one claim and one return in 2013-14. The main findings from our certification work are provided below.

Housing benefits subsidy claim

Councils run the Government's housing benefits scheme for tenants. Councils responsible for administering housing benefits claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid. Council tax benefits are now administered locally under the local council tax support scheme and do not form part of this audit. Details of the audit work undertaken and findings to date are summarised below:

Scope of work	Results
Value of claim presented for certification	£17,176,523
Limited or full review	Full
Amended	Yes - certified claim reduced to £17,158,674
Qualification letter	Yes
Fee - 2013-14 (actual)	£31,411 (includes £12,198 additional fee).
Fee - 2012-13 (actual)	£51,157 (includes £32,257 additional fee)
Fee - 2011-12 (actual)	£34,410
Recommendations from 2012-13:	Findings in 2013-14
Our work identified a number of areas for improvement. Recommendations included; <ul style="list-style-type: none"> • Recruiting additional resources for checking assessments of all new claims; • Carrying out additional checking of claims with state retirement pensions and self-employed earnings; • Issuing reminders, training and guidance for staff for all key error types. 	Our audit work identified a number of errors and areas for improvement very similar to the previous year. See below and Appendix A. Recommendations have been made in section 4.

Our audit of the housing benefit claim is undertaken in line with the approach agreed with the Department for Work and Pensions (DWP), which requires detailed testing of individual benefit cases. The work undertaken to support certification of the claim is integrated with our audit opinion work wherever possible.

The housing benefit claim is a high value and complicated claim and many benefit claims subject to audit are amended or qualified, or both, as a result of errors identified. The level of errors we identified in relation to the Uttlesford Council 2013/14 claim is similar to the previous year and remains high compared to other similar councils. The main findings are set out in the attached Appendix A, with a copy of the qualification letter at Appendix B.

Members will note that our findings are similar to the previous year. This is not unexpected due to the timing of the completion of the 2012-13 audit. Last year, the 40+ testing carried out by the benefits team was not completed until January 2014 leaving very little time to implement measures to address the weaknesses found before the 2013/14 benefit year was complete. Remedial work to address the 2012-13 findings commenced in January 2014 and has included additional checking of all new claims and claims

with state pensions, 10% of claims with earned income, review of procedures, on the job training and reminders for claim assessors and an additional 12 hours of resources dedicated to review.

These changes aim to ensure improvements are made in 2014/15. However, a continuous review of these arrangements and feedback from the review process is required to ensure that improved accuracy of assessment is achieved and maintained. We recommend that to ensure performance in this key service is improved, clear reporting and regular monitoring arrangements put in place with direct management oversight and reports to the Audit and Performance Committee.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if the initial sample testing of 20 cases identifies errors in the calculation of benefit or compilation of the claim. As set out in the attached appendices, we found errors in several areas and therefore were required to carry out extended testing in eight areas. Extended and other testing also 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 decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

The main issues we identified and reported were:

- Income assessment errors - extended testing for non HRA rent rebates (cell 11- 6 cases), rent rebates (cell 55 – 40 cases) and rent allowances (cell 94 – 40 cases);
- Incorrect start date – extended testing on the sub population of new claims (Cell 94 -40 cases);
- 15 weeks protected period awarded rather than the permitted 13 weeks - extended testing on the sub population of cases awarded a protected period (Cell 94 -40 cases)
- Misclassification of overpayment as eligible rather than due to administrative delay - extended testing for rent rebates (cell 67 – 40 cases), rent allowances (cell 114 – 40 cases)
- Errors within manual adjustments (additional testing of 10% of manual adjustments)

We agreed with the Council that the benefits team would perform most of this additional testing and we would re-perform a sample of the cases to confirm we could place reliance on the Council's work. The outcome of this additional testing and the potential impact on the Council's claim is documented within the qualification letter to the DWP and attached at Appendix B. There has been an improvement in the quality and timeliness of the 40+ testing undertaken this year which has allowed submission of the claim before the 30 November deadline.

Members may wish to note that although the individual errors identified as a result of audit are generally small, under the requirements of the Certification Instruction there is no materiality applied to our work on the claim and every error above rounding has to be reported. The errors identified from the sample testing are extrapolated across the total population of cases in our reporting to the DWP. Consequently a small error on individual cases can result in a larger extrapolated error, and potential recovery of subsidy paid to the Council by the DWP.

Pooling of housing capital receipts

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments. Details of the audit work undertaken and findings to date are summarised below:

Summary of 2012-2013 certification work

Scope of work	Results
Value of return presented for certification	£344,670
Limited or full review	Full
Amended	No
Qualification letter	No
Fee - 2013-14 (actual)	£503
Fee - 2012/13 (actual)	£530
Recommendations from 2011-12:	Findings in 2013-14
None	None

We found no errors on the pooling of housing capital receipts return and we certified the amount payable to the pool without qualification.

2. 2013-14 certification fees

From 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fees for 2013-14 are based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the relevant claims and returns in that year, and adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services. In 2011-12 our audit identified errors in Council Tax single person discounts, overpayment classification and rent officer referrals and resulted in 3 sets of additional testing.

The 2013-14 fee for certification of housing benefit subsidy claims has been reduced from the indicative fee by a further 12% to reflect the removal of council tax benefit from the scheme.

The indicative composite fee for Uttlesford District Council for 2013-14 is £18,716. The estimated actual fee for the 2013-14 certification work is £30,914. This compares to an actual fee of £52,207 in 2012/13.

Claim or return	2012/13	2013/14	2013-14
	Actual fee	Indicative fee	Actual Fee
	£	£	£
Housing and council tax benefits subsidy claim	51,157	18,213	30,411
National non-domestic rates return	520	n/a	n/a
Pooling of housing capital receipts	530	503	503
Total	52,207	18,716	30,914

* The final fee has been agreed with the Audit Commission.

3. Looking forward

The Council's indicative certification fee for 2014/15 is £21,040. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/>

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission (due April 2015).

The Audit Commission currently expects that auditors will continue to certify local authority claims for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014/15. Arrangements for 2015/16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016/17, when Universal Credit is expected to replace housing benefit.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements for individual claims and returns. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements. During 2013-14 we have not acted as reporting accountants for Uttlesford District Council in relation to any such schemes.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed. The first section of this table includes general comments from the Assistant Director – Finance in relation to the findings from the audit of the claim.

Recommendation	Priority	Agreed action and comment
General Comment from Assistant Director – Finance	High	<p>A review has been done on the benefits team overall and I have looked at how the team is structured and where the strengths and weaknesses are. Due to some natural staff turnover we have been able to reassess some of the roles. A new Benefit Manager has been appointed and 2 of the team leaders have been given extra responsibilities, relating to accuracy and quality. As part of this we have employed an external company 'Branch and Lee' who are experts in the field of Benefit Subsidy and analysis. Branch and Lee will be contracted to assess and analysis our data prior to audit and work closely with the Benefit Manager and the Auditors to proactively identify areas of improvement.</p> <p>This will include the general points below in the first set of bullet points and then more specifically in each section as per the audit recommendations:</p> <ul style="list-style-type: none">• Targeted high risk checks on change of circumstance assessments• Review of current training and procedures notes – update or newly create where appropriate ensuring quality assurance aims and principals are highlighted• Implementation of the Northgate Performance Management and Quality Assurance module• Sign up to DWP FERIS scheme part 1• Target reviews on historic claims with no intervention for over 2 years• In times of high work pressures/demands, investigate the use of overtime/additional hours for current trained staff rather than a continued reliance on agency.• Pro-actively encourage staff to undertake recognised training programmes such as IRRV Tech 3 qualification• Introduce traffic light style indicator on personal accuracy - feedback to staff (co-inside with covalent)

Implement a continuous review of the remedial arrangements put in place.	High	<ul style="list-style-type: none"> • Assistant Director and Benefit Manager to continue with regular 1-2-1's with specific agenda item on accuracy and quality • Benefit Manager and Senior Quality Officer to have at least 6 weekly 1-2-1's and feedback to Assistant Director • Senior Quality Officer to have at least 6 weekly 1-2-1's with the Quality Checking Officer and feedback to Benefit Manager • Appeals and Assessment Officer to have at least 6 weekly 1-2-1's with assessment and clerical staff and feedback to Benefit Manager • Monthly service meetings with the Benefit Manager, Senior Quality Officer and Appeals and Assessment Officer – accuracy, subsidy, audit, staff training and development as standard agenda items • Bi-monthly benefit team meetings with accuracy, subsidy and audit feedback and training as a standard agenda items • Bi-monthly group team training on new matters and items identified as high risk for error
Introduce regular feedback from the review process to assessors.	High	<ul style="list-style-type: none"> • A progress report to be taken to the regular meetings with the Chief Executive, Director of Finance and Corporate Services and Audit • The early recognition of any potential issues to be highlighted to Audit at the regular meetings
Develop clear reporting and regular monitoring arrangements	High	<ul style="list-style-type: none"> • As per points above <i>plus</i> • Quarterly individual and team accuracy feedback measured against team target of 98%. Detailed explanation of errors reported along with financial or procedural impact on claims. • 100% quality check on new claim assessments, including the implementation of assessment officer self-check sheets • 100% feedback to assessing officers of all financial and procedural errors identified by the Quality Checking Officer and as part of any subsidy audit • Review Quality Checking Spreadsheet to ensure all high risk areas of assessment are checked • Staff to return an acknowledgement to the Quality Checking Officer upon receipt of their personal accuracy feedback with comments on what they have done to

ensure mistakes highlighted do not happen again. Return acknowledgement to also include any additional training requirements assessment officers feel they need to reduce ongoing errors which will be fed back to Appeals and Assessment Officer and integrated as part of appraisals and staff development.

- Staff training logs with reviews at 1-2-1's
- The continued use of KPI's as currently reported to Performance and Audit
- Periodic report detailing the actions taken as above to improve accuracy/quality and any issues arising
- Update on the work and findings of the external contractor Branch and Lee on progress and any issues or potential issues arising

Ensure direct management oversight and regular reporting to the Audit and Performance Committee High

Appendix A: Housing benefits claim 2013/14 – findings from initial testing

Cell	Findings	Additional testing
Rent rebates – Total expenditure (benefit granted) - cell 55	<p>Testing of the initial sample (20) identified 3 cases with errors, these are:</p> <ul style="list-style-type: none"> • 2 cases where the Authority had underpaid benefit as the claimant's income had been assessed incorrectly. • 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. <p>Our initial testing of claims in Cell 55 did not identify any overpayment misclassifications. However based on our audit knowledge from the prior year an additional random sample of 40 cases with overpayments was selected for testing from cell 67.</p>	<p>40+ testing on income assessment for cell 55</p> <p>40+ testing on overpayment classification for cell 67.</p>
Non HRA rent rebates - cell 11	<p>Testing of the initial sample of 6 claims identified 3 cases with errors, 2 of which had a combination of errors. These are separately shown below:</p> <ul style="list-style-type: none"> • 1 case where the Authority had both overpaid and underpaid benefit as the claimant's income had been assessed incorrectly. • 1 case where the Authority had 	<p>Extended testing of 6 cases for income assessment for cell 11.</p> <p>Where the Authority has</p>

	<p>overpaid benefit as the claimant's income had been assessed incorrectly. For this case, the expenditure split between cell 12 and cell 13 was incorrect for a part week period, resulting in the Authority under claiming subsidy. The reported expenditure in cell 11 was also understated as the Authority had netted off overpaid expenditure against ongoing entitlement from cell 55.</p> <ul style="list-style-type: none"> • 1 case where the Authority had netted off overpaid benefit against a claim with ongoing entitlement in cell 55 thus understating the value of benefit granted in cell 11. 	<p>misclassified expenditure in cell 13 which should be classified as cell 12, this results in the Authority claiming more expenditure at nil rate subsidy rather than at the cell 12 rate of 1.0. As the impact of this misclassification on subsidy would always result in an under claim of subsidy, no further testing has been undertaken</p> <p>As the impact of netting off on subsidy would always result in an understatement of benefit expenditure and therefore an under claim of subsidy, no further testing has been undertaken.</p>
<p>Rent allowances – Total expenditure (benefit granted) - cell 94</p>	<p>Testing of the initial sample 20 identified:</p> <ul style="list-style-type: none"> • 3 cases where the Authority had overpaid benefit as a result of miscalculating the claimant's average weekly income. • 1 case where the authority had incorrectly coded a Local Authority error overpayment as an eligible overpayment. This is considered in the section on cell 114 below. • 1 case where benefit was overpaid as a result of allowing a 15 week protected period rather than the 	<p>40+ testing on income assessment for cell 94</p> <p>40+ testing on overpayment classification for cell 114</p> <p>40+ testing on the 13 weeks protected period</p>

	<p>prescribed 13 weeks.</p> <ul style="list-style-type: none">• 1 case where benefit was overpaid due to an incorrect start date.• 1 case where a backdated amount was not separately identified in the memorandum cell 131	<p>40+ testing on start date</p> <p>No action as cell 131 is memorandum account and has no impact on subsidy</p>
--	--	--

Appendix B: Housing benefits claim 2013/14 – Qualification Letter

Department for Work and Pensions
Housing Benefit Unit
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

27 November 2014

Ref: GPS/ DH/UDC/BEN01
Your ref:

Direct line: 07974 006715

Email: DHanson@uk.ey.com

Dear Sir / Madam

Uttlesford District Council

Housing Benefit & Council Tax Benefit claim for the year ended 31 March 2014 (Form MPF720A)

Qualification Letter referred to in the Auditor's Certificate dated 28 November 2014

Details of the matters giving rise to our qualification of the above claim are set out in the Appendix to this letter.

The factual content of our qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

Debbie Hanson
Director
For and on behalf of Ernst & Young LLP
United Kingdom

Cell 11: Rent Rebates (Tenants of Non-HRA Properties) – Total expenditure (Benefit Granted)

Cell Total £41,596

Cell Population 26

Sub Population £19,893

Testing of the initial sample of 6 claims identified 3 cases with errors, 2 of which had a combination of errors, these are separately shown below:

- 1 case where the Authority had overpaid benefit as the claimant's income had been assessed incorrectly. For this case the expenditure split between cell 12 and cell 13 was incorrect for a part week period, resulting in the Authority under claiming subsidy. The reported expenditure in Cell 11 was also understated as the Authority had netted off overpaid expenditure against ongoing entitlement from cell 55.
- 1 case where the Authority had both overpaid and underpaid benefit as the claimant's income had been assessed incorrectly.
- 1 case where the Authority had netted off overpaid benefit against a claim with ongoing entitlement in Cell 55 thus understating the value of benefit granted in cell 11.

Each of these error types is dealt with separately below.

Underpaid benefit

The initial sample found 1 case where benefit had been underpaid (value £396). Had entitlement been awarded correctly it would have offset reported eligible overpayments, therefore the eligible overpayments subsidy cell 28 has been overstated (£396) with a matching understatement of benefit entitlement (cell 12 £387 & cell 13 £9)

Because errors miscalculating the claimant's average weekly income could result in overpayments, an additional test of all cases with assessed income was undertaken. This sub population had a total of 6 cases.

Additional testing found 3 further underpayment income assessment errors (value £51):

- Two of these led to underpayments (£49) on claims without a matching overpayment for the period. As there is no eligibility to subsidy for benefit which has not been paid, these 2 underpayments do not affect subsidy and have not been classified as errors for subsidy purposes.
- The third case with an income assessment error caused benefit to be underpaid (£2) for a period against which there was an eligible overpayment included in the subsidy claim. Had entitlement been awarded correctly it would have offset reported

eligible overpayments, therefore the eligible overpayments subsidy cell 28 has been overstated (£2) with a matching understatement of benefit entitlement (cell13 £2).

Testing has covered all Non HRA claims with income assessment and the error found represents the actual amount by which eligible overpayments in cell 28 have been overstated and the amount by which cell 12 and 13 are understated. The impact of the underpayments which reinstated entitlement and reduced the eligible error overpayments is set out in the table below:

Sample:	Movement / brief note of error:	Sub population/ original cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 6 cases	income assessment errors	£19,893	(£396)	£10,558	Na		
Additional sample - 6 cases	income assessment errors	£19,893	(2)	£9,335	Na		
Total -12 cases	income assessment errors	£19,893	(£398)	£19,893	Na		
Adjustment	Cell 12 is understated.	£18,553	(£387)	£19,893	Na	£387	£18,940
Adjustment	Cell 13 is understated.	£19,672	(£11)	£19,893	Na	£11	£19,683
Total Corresponding adjustment	Total overstatement of cell 28.	£880	(£398)	£19,893	Na	(£398)	£482

The value of the errors found range from £2 to £396 and the benefit periods range between 2 days and 4 weeks.

Overpaid benefit

Testing of the initial sample identified 2 cases (total value £184) where the Authority had overpaid benefit as a result of a miscalculation of the claimant's income. Failure to calculate the claimant's income correctly results in the overpayment of subsidy. The effect of these errors is to overstate cell 12 £5 and cell 13 £179 with a corresponding understatement of LA error overpayments cell 28; there is no effect on cell 11.

Given the nature of the population and the errors found, an additional sample was selected by drilling down and selecting the 6 other cases in cell 11 which had income assessments. No further overpayment errors were identified.

Testing has covered all Non HRA claims with income assessment and the error found represents the actual amount by which expenditure in cell 12 and 13 are overstated and cell 26 LA error overpayments has been understated. The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Sub population:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 6 cases	income assessment errors	£41,596	(£184)	£10,558	Na		
Additional sample - 6 cases	income assessment errors	£41,596	£0	£9,335	Na		
Total – 12 cases	income assessment errors	£41,596	(£184)	£19,893	Na	(£184)	.
Adjustment	Cell 12 is overstated.	£18,553	£5	£19,893	Na	(£5)	£18,548
Adjustment	Cell 13 is overstated.	£19,672	£179	£19,893	Na	(£179)	£19,493
Total Corresponding adjustment	Total understatement of cell 26	£2,364	£184	£19,893	Na	£184	£2,548

The value of the errors found range from £5 to £112 and the benefit periods range between 2 days and 4 weeks.

Other Error - Netting off

Testing the initial sample identified 2 cases (total value £445) where the Authority has netted off non HRA rent rebate overpayments against ongoing rent rebates expenditure. This results in an understatement of non HRA rent rebates expenditure in cell 11 and cell 26. The impact on subsidy is an understatement of benefit expenditure and therefore an under claim of subsidy. As the impact of netting off on subsidy would always result in an understatement of benefit expenditure and therefore an under claim of subsidy, no further testing has been undertaken

Other Error – Misclassification

Testing the initial sample identified 1 cases (total value £12) where the Authority has misclassified expenditure in cell 13 which should be classified as cell 12. This results in the Authority claiming more expenditure at nil rate subsidy rather than at the cell 12 rate of 1.0. As the impact of this misclassification on subsidy would always result in an under claim of subsidy, no further testing has been undertaken.

Cell 55: Rent Rebates – Total expenditure (Benefit Granted)

Cell Total £6,977,267

Cell Population 1,874

Sub Population £2,450,049 (717 non-passported cases)

Testing of the initial sample identified 3 cases with errors these are separately shown below:

- 2 cases where the Authority had underpaid benefit as the claimant's income had been assessed incorrectly.
- 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income.

Each of these error types is dealt with separately below.

Underpaid benefit

The initial sample found two cases with an underpayment (total value £632).

For one case, had entitlement been awarded correctly it would have offset reported eligible overpayments, therefore the eligible overpayments subsidy cell 67 has been overstated (£72) with a matching understatement of benefit entitlement (cell 61) .

For one case the income assessment error created an underpayment. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (£560) identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Given the nature of the population and the errors found, an additional random sample of 40 cases was selected for testing from the sub-population of non-passported cases.

The additional testing, identified a further 8 cases where benefit had been underpaid (total value £1,914) due to earned income assessment errors.

Of these two cases had an income assessment error which caused benefit to be underpaid (£1,415) for a period against which there was an eligible overpayment included in the subsidy claim. Had the period entitlement been correctly calculated the eligible overpayments would be offset by the revised ongoing entitlement. For the other 6 cases the income assessment error created an underpayment. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (£499) identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes

The impact of the underpayments which reinstated entitlement and reduced the eligible error overpayments is set out in the table below:

Sample:	Movement / brief note of error:	Sub population	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	income assessment errors	£2,450,049	(£72)	£80,948			
Drill down sample - 40 cases	income assessment errors	£2,450,049	(£1,415)	£123,954			
Combined sample - 60 cases	income assessment errors	£2,450,049	(£1,487)	£204,902	0.726%	(£17,787)	.
Adjustment	Cell 67 is overstated.	£2,450,049	(£1,487)	£204,902	0.726%	(£17,787)	
Total Corresponding adjustment	Total understatement of cell 61.					£17,787	

The percentage error rate in our sample reflects the individual cases selected. The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £26 to £588 and the benefit periods range from 1 weeks to 12 weeks.

Overpaid benefit

Testing of the initial sample identified 1 case (total value £8) where the Authority had miscalculated the claimant's income. Failure to calculate the claimant's income correctly results in the overpayment of subsidy. The effect of this error is to overstate cell 61 with a corresponding understatement of LA overpayment error cell 65; there is no effect on cell 55.

Given the nature of the population and the errors found, an additional random sample of 40 cases was selected for testing from the sub-population of non-passported cases. The additional testing identified a further 6 cases (total value £4,456) where the Authority had overpaid benefit, as a result of income assessment errors. The effect of the errors is to overstate cell 61 with a corresponding understatements of LA error overpayments cell 65; 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:	Sub population	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	income assessment errors	£2,450,049	(£8)	£80,948			
Drill down sample - 40 cases	income assessment errors	£2,450,049	(£4,456)	£123,954			
Combined sample - 60	income assessment errors	£2,450,049	(£4,464)	£204,902	(2.179%)	(£53,387)	.

Sample:	Movement / brief note of error:	Sub population	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
cases							
Adjustment	Cell 61 is overstated.	£2,450,049	(£4,464)	£204,902	(2.179%)	(£53,387)	
Total Corresponding adjustment	Total understatement of cell 65.					£53,387	

The percentage error rate in our sample reflects the individual cases selected. The value of the errors found range from £8 to £1,523 and the benefit periods range from 1 week to 53 weeks. Similar findings were included in my qualification letters last year.

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

Other error

The additional testing of 40 cases identified a further 5 cases with income assessment errors but these errors had nil impact on entitlement.

Cell 67: Rent Rebates – Eligible Overpayments (Current Year)
 Cell Total £78,010
 Cell Population 389

Our initial testing of claims in Cell 55 did not identify any overpayment misclassifications. However based on our audit knowledge from the prior year an additional random sample of 40 cases with overpayments was selected for testing from cell 67.

Additional testing identified 11 cases where overpayments had been misclassified in cell 67 eligible excess (£2,910), which should have been classified as: LA error and administrative delay cell 65 (£2,245), and technical excess benefit (£ 665) cell 66 overpayments.

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:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample -	Misclassification of overpayment	£78,010	(£0)	-£7			
Drill down sample - 40 cases	Misclassification of overpayment	£78,010	(£2,910)	£11,100			
Combined sample – 60 cases	Misclassification of overpayment	£78,010	(£2,910)	£11,093	(26.233%)	(£20,464)	
Adjustment	Cell 65 is understated.	£78,010	£2,245	£11,093	(20.238%)	£15,788	
Adjustment	Cell 66 is understated.	£78,010	£665	£11,093	(5.995%)	£4,676	
Total Corresponding adjustment	Total overstatement of cell 67.					(£20,464)	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £3 to £1,057 and the benefit periods range from 1 week to 20 weeks. Similar findings were included in my qualification letter last year.

Given the nature of the population and the variation in the errors found it is unlikely that even significant additional work will result in an amendment to this cell that will allow me to conclude it is fairly stated.

Cell 94: Rent Allowances – Total expenditure (Benefit Granted)
 Cell Total £10,184,588
 Cell Population 2,266
 Sub Population £3,999,065 (888 non- passported cases)

Testing of the initial sample identified 7 cases with errors:

- 3 cases where the Authority had overpaid benefit as a result of miscalculating the claimant's average weekly income.
- 1 case where benefit was overpaid due to an incorrect start date.
- 1 case where benefit was overpaid as a result of allowing a 15 week protected period rather than the prescribed 13 weeks.
- 1 case where a backdated amount was not separately identified in the memorandum cell 131.
- 1 case where the authority had incorrectly coded an LA error Overpayment as an eligible overpayment. This is considered in the section on cell 114 below.

Each of these error types is dealt with separately below.

Underpaid benefit

Our initial testing did not identify any underpayments that had not been corrected in subsequent years. However, because errors miscalculating the claimant's average weekly income could result in overpayments we requested that the Authority test an additional random sample of 40 cases (see below).

Testing of an additional random sample of 40 cases, identified 9 cases where benefit had been underpaid (total value £628) due to income assessment errors.

Of these 3 cases had an income assessment error which caused benefit to be underpaid (£456) for a period against which there was an eligible overpayment value (£455 cell 113 and an LA error overpayment value £1 cell 114) included in the subsidy claim. Had the period entitlement been correctly calculated the eligible overpayments would be offset by the revised ongoing entitlement. For the other 6 cases the income assessment error created an underpayment. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (£172) identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes

The impact of the underpayments which reinstated entitlement and reduced the eligible error overpayments is set out in the table below:

Sample:	Movement / brief note of error:	Sub population:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	income assessment errors	£3,999,065	(£0)	£96,186			
Drill down sample - 40 cases	income assessment errors	£3,999,065	(£456)	£220,166			
Combined sample - 60 cases	income assessment errors	£3,999,065	(£456)	£316,352	0.144%	(£5,759)	
Adjustment	Cell 113 is overstated.	£3,999,065	(£1)	£316,352	(0.000%)	(£0)	
Adjustment	Cell 114 is overstated.	£3,999,065	(£455)	£316,352	(0.144%)	(£5,759)	
Adjustment	Total understatement of cell 102	£3,999,065	£344	£316,352	0.109%	£4,359	
Adjustment	Total understatement of cell 103	£3,999,065	£112	£316,352	0.035%	£1,400	
Total adjustment						£5,759	

The percentage error rate in our sample reflects the individual cases selected. The value of the errors range from £1 to £232 and the benefit periods range from 1 week to 27 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 it is fairly stated

Overpaid benefit

Three income assessment errors (total value £730). Failure to calculate the claimant's income correctly results in the overpayment of benefit. The effect of this error is to overstate cell 103 with a corresponding understatement of LA overpayment error cell 113; there is no effect on cell 94.

An additional random sample of 40 cases was selected for testing from the subpopulation of cases where there is assessed income. The additional testing identified a further 8 cases (total value £3,012) where the Authority had overpaid benefit, as a result of income assessment errors. The effect of the errors is to overstate cell 102 (£746), cell 103 (£2,266) with a corresponding understatements of LA error overpayments cell 113 (£3,012); there is no effect on cell 094.

The results of my testing are set out in the table below:

Income assessment: overpaid

Sample:	Movement / brief note of error:	Sub population:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - cases	income assessment errors	£3,999,065	£730	£96,186			
Drill down sample - 40	income assessment errors	£3,999,065	£3,012	£220,166			
Total – 60 cases	income assessment errors	£3,999,065	£3,742	£316,352	1.183%	(£47,309)	
Adjustment	Cell 103 is overstated.	£3,999,065	£3,742	£316,352	1.183%	(£47,309)	
Total Corresponding adjustment	Total understatement of cell 113.					£47,309	

Similar findings were included in my qualification letters last year.

Testing of the initial sample identified 1 case (total value £53) where the Authority had applied an incorrect start date which results in the overpayment of benefit. The effect of this error is to overstate cell 103 with a corresponding understatement of LA overpayment error cell 113; there is no effect on cell 94.

An additional random sample of 40 cases was selected for testing from a subpopulation of new claims in the year with a first week indicator. The additional testing identified a further 2 cases (total value £180) where the Authority had overpaid benefit, as a result of incorrect start dates. The effect of the errors is to overstate cell 103 and understate LA overpayment error cell 113; there is no effect on cell 94.

The results of my testing are set out in the table below:

Incorrect start date: overpaid

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - cases	incorrect start date	£10,193,057	(£53)	£96,186			
Drill down sample - 40	Incorrect start date	£10,193,057	(£180)	£142,600			
Total - 60 cases	Incorrect start date	£10,193,057	(£233)	£238,786	0.097%	(£9,887)	
Adjustment	Cell 103 is overstated.	£10,193,057	(£233)	£238,786	0.097%	(£9,887)	
Total Corresponding adjustment	Total understatement of cell 113.					£9,887	

The percentage error rate in our sample reflects the individual cases selected. The value of the errors range from £1 to £1,122 and the benefit periods range from 4 days to 28 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 it is fairly stated.

Other Errors

Testing of the initial sample identified 1 case (total value £113) where the Authority had applied a protection period for 15 weeks rather than the correct 13 week protected period, which results in the overpayment of benefit. The effect of this error is to overstate cell 103 with a corresponding understatement of LA overpayment error cell 113; there is no effect on cell 94.

Testing of all claims in 2013/14 with the 13 week protected period indicator flagged was undertaken. The results of the testing enabled an actual error to be calculated and an adjustment made to the claim.

Testing of the initial sample identified 1 case where the Authority had not identified a backdate award and the backdate amount was not disclosed in the memorandum cell 78. The award of entitlement (value £538) is included in headline cell 94 and expenditure cell 102. It has not been included in memorandum cell 131. There is no subsidy impact.

Cell 114: Rent Allowances – Eligible Overpayments (Current Year)
 Cell Total £245,742
 Cell Population 706

The initial sample identified 1 case (total value £1,335) where overpayments had been misclassified in cell 114 eligible excess overpayments which should have been classified as LA error and administrative delay overpayment cell 113.

Testing of an additional sample of 40 cases from cell 114 eligible excess overpayments, identified 11 cases where overpayments had been misclassified cell 114 eligible excess (£2,131) which should have been classified as LA error and Administrative delay benefit cell 113 overpayments.

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:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample -	Misclassification of overpayment	£245,742	(£1,335)	£3,240			
Drill down sample - 40 cases	Misclassification of overpayment	£245,742	(£2,131)	£14,145			
Combined sample – 60 cases	Misclassification of overpayment	£245,742	(£3,466)	(£17,385)	(19.937%)	(£48,994)	
Adjustment	Cell 113 is understated.	£245,742	£3,466	£17,385	19.937%	£48,994	
Total Corresponding adjustment	Total overstatement of cell 114.					(£48,994)	

The percentage error rate in our sample reflects the individual cases selected. The value of the errors range from £1 to £1,335 and the benefit periods range from 1 week to 23 weeks. Similar findings were included in my qualification letters last year.

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 it is fairly stated.

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

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.

© Ernst & Young LLP 2015. Published in the UK.
All rights reserved.