



## Governance & Audit Committee 14<sup>th</sup> April 2020

### Grant Certification 2018/19

#### Purpose of report

To provide an update on the 2018/19 grant certification work undertaken by the council's External Auditors, Ernst & Young LLP (EY).

#### Attachment(s):

Appendix 1 – Housing Benefit (Subsidy) Assurance Process report 2018/19

#### 1.0 Introduction

1.1 This report summarises the results of work undertaken by EY on the certification of the council's 2018/19 grant claims and returns.

#### 2.0 Certification of grants and returns 2018/19

2.1 EY carried out certification work on the council's Housing Benefit Subsidy claim, the certified value of which was £16.3 million.

2.2 The certification work included:

- agreeing standard rates, such as allowances and benefit incomes, to the DWP Circular communicating the value for each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified scheme payments and verifying the accurate completion of the claim form.

2.3 Full details of the certification work and findings can be found in Appendix 1

2.4 To summarise; the only error found was in relation to the initial testing of modified scheme payments, which resulted in an overstatement of £120.26. Further testing was carried out on all modified scheme payments and no additional errors were identified.

#### 3.0 Equality and Diversity Implications

3.1 There are no known equalities issues arising from this report.

#### 4.0 Privacy Implications

4.1 This report is for information. There are no privacy implications arising from the content.

#### 5.0 Health Impact Assessment

5.1 There are no health implications arising from this report.

## 6.0 Legal Implications

6.1 There are no known legal implications arising from this report.

## 7.0 Risk Management

7.1 There are no risk management implications arising from this report.

## 8.0 Resource and Financial Implications

8.1 The initial Housing Benefit Subsidy claim submitted to the DWP was overstated by £120.26, so this amount will be recovered by the DWP from a future subsidy payment instalment.

8.2 The base fee for EY undertaking the certification work was £4,500; an additional fee of £1,500 has now been incurred due to the extra testing undertaken following the error found.

## 9.0 Constitutional Implications

9.1 This report does not require any amendment to the Council's Constitution.

## 10.0 Implications for Our Customers

10.1 There are no customer service implications arising from the report.

## 11.0 Corporate Outcomes



11.1 This report links to the following Corporate Outcomes:

- **Effective Management** - *The results of the grant certification allow the council to manage and review its financial performance, contributing to the effective management of the council.*

## 11.0 Recommendations

11.1 Members are asked to note the contents of this report and the certification of grants and returns for 2018/19.

*(Reason: This is an information report which addresses the management of benefits payments by the council)*

<b>Legal</b>	Power: Audit Commission Act 1998, the Local Government Act 1999 and the Audit Commission's Code of Audit Practice.				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Lucy Hogston, Interim Head of Customer & Community Services <a href="mailto:lhogston@east-northamptonshire.gov.uk">lhogston@east-northamptonshire.gov.uk</a>					
<b>Date:</b> 06/03/2020					
<b>CFO</b> 17/03/20		<b>MO</b> 17/03/20		<b>CX</b>	



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**Housing Benefit (Subsidy) Assurance Process 2018-19 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2019**

**To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.**

**And: The Section 151 Officer of East Northamptonshire Council, Glenn Hammons, Executive Director (Resources and Commercial)**

This report is produced in accordance with the terms of our engagement letter with the East Northamptonshire District Council dated 21 February 2019 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2018/19 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of East Northamptonshire District Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 11 April 2019.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2018-19.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

**Respective responsibilities of the Local Authority and the reporting accountant**

We conducted our engagement in accordance with HBAP Modules 1 and 6 2018/19 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The Section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

### **Our approach**

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2018/19 dated 20 February 2020 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the International Standard on Related (ISRS) 4400, *Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 20 February 2020, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C, D and E.

### **Inherent limitations**

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's 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 Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

### **Summary of HBAP report**

#### **Summary of Initial Testing**

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results:

#### **Cell 011      Non-HRA Rent Rebate**

Initial testing of Cell 011 found no claims to be in error.

#### **Cell 094      Rent Allowance**

Initial testing of Cell 094 found no claims to be in error.

#### **Cell 225      Modified Schemes**

Initial Testing of Cell 225 identified that the Local Authority had not verified the receipt of War Disablement Pension, resulting in the overstatement of the cell. As it was not possible to establish correctly the error for amendment, the Authority undertook 100% testing of all Modified Scheme Claims in Cell 225 and has tested each claim.

### **Completion of Modules**

#### **Completion of Module 2**

We have completed the module 2 uprating checklist for 2018/19 and no issues were identified.

#### **Completion of Module 5**

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

### **Summary of testing arising from Cumulative Assurance Knowledge and Experience (CAKE)**

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding Qualification Letter. As no errors were identified in the prior year and the previous auditors did not issue a Qualification Letter no CAKE testing has been performed.

### **Summary paragraph/ending of letter**

For the form MPF720A dated 20 February 2020 for the year ended 31 March 2019 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C, D and E.

Firm of accountants: Ernst & Young LLP

Office: Luton

Appointed Auditor: Neil Harris, Associate Partner

Number: 07854 279476

✉ Email: [neil.harris2@uk.ey.com](mailto:neil.harris2@uk.ey.com)

Signature: *ERNST AND YOUNG LLP*

Date: 21 February 2020

## **Appendix A: Errors Found**

Initial testing of Cell 011 and Cell 094 did not identify any errors.

## **Appendix B Observations**

There are no observations to report.

## **Appendix C Amendments to the claim form MPF720A**

### **Error Type 3 – benefit overpaid or insufficient supporting information**

#### **Cell 225 HB Local Scheme Rent Allowance**

**Cell Total: £13,505**

**Cell Total £13,505– sub population**

**Cell Population: 11 cases**

**Cell Population: 11 cases – sub population**

Initial Testing of Cell 225 identified one claim (value £120.26) where the Local Authority had not verified the receipt of War Disablement Pension in the claim.

The Authority undertook 100% testing of all Modified Scheme Claims in Cell 225 and has tested all eleven claims in Cell 225 and no further errors were found.

We have re-performed further testing on 2 cases and the Authority's findings on those claims were correct.

Both Cells 214 and 225 are therefore overstated by £120.26.

The Authority has amended Cells 214 and 225 on form MPF720a dated 20<sup>th</sup> February 2020.

## **Appendix D Additional issues**

No additional issues have been identified.

## Appendix E Module 5 Non Compliance Data Return

### Housing Benefit Assurance Process (HBAP) Module 5: Capita - noncompliance data return - Appendix 2

Please indicate which control matrix questions the authority failed on completion of HBAP Module 5 and attach this Appendix 2 to the final HBAP Report submitted to DWP as specified in HBAP Modules 1 and 6.

NB: nil returns are required.

Audit Scotland, Wales Audit Office & Firms should also inform their HB Leads.

Authority: **East Northamptonshire Council**      Audit Manager: **Chris Hewitt**      HB System: **Capita**

Control Question:	Please indicate those questions that the authority failed:	Comments:	Included in qualification letter (yes or no)? If no please state reasons:
1) Has the authority used the correct version of the benefits software?	Passed	N/A	N/A
2) Has the authority ensured that it has received all the relevant patches / upgrades throughout the year?	Passed	N/A	N/A
3) Has the authority received and loaded the latest patch for the claim onto the benefits system?	Passed	N/A	N/A



<b>Control Question:</b>	<b>Please indicate those questions that the authority failed:</b>	<b>Comments:</b>	<b>Included in qualification letter (yes or no)? If no please state reasons:</b>
4) Has the authority performed all the recommended validation checks / recalculations suggested on patch up-grade?	Passed	N/A	N/A
5) Has the authority used the correct version of the year end subsidy program to compile the claim?	Passed	N/A	N/A
6) Has the standard claim reconciliation methodology been followed?	Passed	N/A	N/A
7) Can you agree claim compilation methodology to standard and have all claim reassessments / validation checks been complied with before claim completion?	Passed	N/A	N/A
8) Has the claim form, with its included payment runs, been correctly completed to meet the definition of the Subsidy Order (see control objective 4 above)?	Passed	N/A	N/A