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

28 November 2018

Ref: GPS/CBC/HB/2017-18

Direct line: 023 8038 2159

Email: ksuter@uk.ey.com

Dear Sir / Madam

Colchester Borough Council

Housing benefit subsidy claim for the year ended 31 March 2018 (Form MPF720A)

Qualification Letter referred to in the Auditor's Certificate dated 28 November 2018

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

The factual content of my 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 unless otherwise indicated in the letter.

Yours faithfully

Kevin Suter
Associate Partner
For and on behalf of Ernst & Young LLP
United Kingdom

Cc   Sean Plummer - Strategic Finance Manager (S151 Officer)

Appendix - Qualification Issues

Cell 011: Non HRA Rent Rebates, Total expenditure
Cell total £650,908
Cell Population 273
Headline Cell £650,908

Testing of the initial sample identified:

- 1 case (total value £1,692.39) had been underpaid due to the claimants pension and NI deductions being incorrectly omitted from the earnings calculation. 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. Because this error will always result in an underpayment of benefit, additional testing has not been undertaken.

Cell 094: Rent Allowances, Total expenditure
Cell total £37,052,670
Cell Population 8,466
Headline Cell £37,052,670

Testing of the initial sample identified:

- 3 cases (total value £16,361.33) had been underpaid across different periods due to incorrect calculation of income and pensions deductions. 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; and
- 1 case (total value £820.95) had been overpaid due to the incorrect calculation of the child care costs deduction. The effect of this error is to overstate cell 103 by £456.00, with a corresponding understatement of cell 113. There is no effect on cell 094.

The overpayment error above have been assessed as error type 3 (benefit overpaid or insufficient supporting information) and therefore an additional sample of 40 rent allowance cases has been tested. Testing of the additional random sample of 40 cases identified:

- 1 case (total value £4,754.24) had been underpaid due to incorrect calculation of claimant earnings. 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;
- 1 case (total value £4,449.94) had been overpaid due to the incorrect calculation of the claimant earnings. The effect of this error is to overstate cell 102 by £1,059.51, with a corresponding understatement of cell 113. There is no effect on cell 094;
- 1 case (total value £1,234.22) had been overpaid due to the incorrect calculation of the claimant partner's earnings. The effect of this error is to overstate cell 102 by £353.50, with a corresponding understatement of cell 113. There is no effect on cell 094; and
- 1 case (total value £2,634.77) had been overpaid due to incorrect application of child tax credits. The effect of this error is to overstate cell 103 by £4.65, with a corresponding understatement of cell 113. There is no effect on cell 094.

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:
		[SP]	[SE]	[SV]	[SE/SV]	[SE/SV times SP]	[RA]
Initial sample – 20 cases	Incorrect assessment of income and pension deductions	£37,052,670	£456	£78,474			
Additional sample – 40 cases	Incorrect assessment of income and pension deductions	£37,052,670	£1,418	£169,248			
Combined sample – 60 cases	**Total overstatement due** Incorrect assessment of income and pension deductions	£37,052,670	£1,874	£247,722	0.76%	£280,250	
Adjustment	Combined sample: Cell 102 overstated	£37,052,670	£1,413		0.57%	£211,349	
Adjustment	Combined sample: Cell 103 overstated	£37,052,670	£461		0.19%	£68,901	
Total corresponding adjustment	**Combined sample: Cell 113 understated**	£37,052,670				£280,250	

The percentage error in our sample reflects the individual cases tested. The values of the error are in the range of £4.65 to £1,059.51 and the benefit periods range from 1 day to 16 weeks. Similar findings have been included in the qualification letter for the last 5 years.

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 the claim form that will allow me to conclude that it is fairly stated.