Dear Sir / Madam

Ipswich Borough Council
Housing Benefit Subsidy Claim for the year ended 31 March 2016 (Form MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated 29 November 2016

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
Executive Director
for and on behalf of Ernst & Young LLP

cc Jon Hudson - S151 Officer
Appendix – qualification issues

Cell 66: HRA Rent Rebates - Technical overpayments
Cell Total £34,221
Cell Population 756
Headline Cell £20,312,136

Testing of the initial sample identified:

- 1 case where the Authority had misclassified overpayments as technical overpayments (cell 66) instead of LA error/admin delay overpayments (cell 65).

Misclassification of overpayment

Testing of the initial sample identified:

- 1 case (total value £3,155) where the Authority had misclassified on the Northgate system overpaid benefit as a technical overpayment instead of LA error/admin delay. The effect of this error is to overstate cell 66 with a corresponding understatement of cell 65; there is no effect on cell 55.

Testing of an additional sample of 40 cases identified a further 3 cases (total error value £1) where the overpayments had been misclassified as a technical error overpayments and should have been LA error overpayments or classified in cell 61. There is no effect on cell 55.

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

<table>
<thead>
<tr>
<th>Sample:</th>
<th>Movement / brief note of error:</th>
<th>Original cell 66 total:</th>
<th>Sample error:</th>
<th>Sample value, based on eligible overpayments sub-population:</th>
<th>Percentage error rate:</th>
<th>Cell adjustment:</th>
<th>Revised cell total if cell adjustment applied:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial sample - 20 case</td>
<td>Cell 66 overstated due to 1 case where overpayment had been misclassified</td>
<td>£34,221</td>
<td>(£17)</td>
<td>£77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional sample - 40 cases</td>
<td>Cell 66 overstated due to 3 further cases misclassified</td>
<td>£34,221</td>
<td>£1</td>
<td>£1,984</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined Sample - 60 cases</td>
<td>Total overstatement of cell 66 due to overpayment misclassification</td>
<td>£34,221</td>
<td>(£16)</td>
<td>£2,061</td>
<td>(0.78%)</td>
<td>(£266)</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>Total understatement of cell 65</td>
<td>£34,221</td>
<td>£2</td>
<td>£2,061</td>
<td>0.87%</td>
<td>£33</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>Total overstatement of cell 61</td>
<td>£34,221</td>
<td>(£18)</td>
<td>£2,061</td>
<td>0.87%</td>
<td>(£299)</td>
<td></td>
</tr>
<tr>
<td>Total Corresponding adjustment</td>
<td>Total overstatement of cell 61 and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£266</td>
<td></td>
</tr>
</tbody>
</table>
The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £1 to £17 and the benefit period in all cases was one week.

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 me to conclude that it is fairly stated.

Cell 67: HRA Rent Rebates - Eligible overpayments
Cell Total £276,002
Cell Population 1,546
Headline Cell £20,312,136

Testing of the initial sample identified:
• 2 cases where the Authority had misclassified overpayments as eligible overpayments (cell 67) instead of LA error/admin delay overpayments (cell 65).

Misclassification of overpayment

Testing of the initial sample identified:
• 2 case (total value £7,144) where the Authority had misclassified on the Northgate system overpaid benefit as eligible overpayments instead of LA error/admin delay. The effect of this error is to overstate cell 67 with a corresponding understatement of cell 65; there is no effect on cell 55.

Testing of an additional sample of 40 cases identified a further 4 cases (total error value £114) where the overpayments had been misclassified as an eligible overpayments and should have been LA error overpayments or classified in cell 61. There is no effect on cell 55.

The result of my testing is set out in the table below:

<table>
<thead>
<tr>
<th>Sample:</th>
<th>Movement / brief note of error:</th>
<th>Original cell 67 total:</th>
<th>Sample error:</th>
<th>Sample value, based on eligible overpayments sub-population:</th>
<th>Percentage error rate:</th>
<th>Cell adjustment:</th>
<th>Revised cell total if cell adjustment applied:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial sample - 20 case</td>
<td>understatement of cell 65</td>
<td>£276,002</td>
<td>(£55)</td>
<td>£911</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The result of my testing is set out in the table below:
The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £0.01 to £85.85 and the benefit periods range from 1 week to 9 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 me to conclude that it is fairly stated.

Cell 72: HRA Rent Rebates – Prior Year Eligible overpayments
Cell Total £283,318
Cell Population 526
Headline Cell £20,312,136

Testing of the initial sample identified:

- 1 case where the Authority had misclassified prior year overpayments as eligible overpayments (cell 72) instead of LA error/admin delay overpayments (cell 70).

**Misclassification of overpayment**

Testing of the initial sample identified:

- 1 case (total value £3,989) where the Authority had misclassified on the Northgate system overpaid benefit as a prior year eligible overpayments instead of a prior year LA error/admin delay. The effect of this error is to overstate cell 72 with a corresponding understatement of cell 70; there is no effect on cell 55.

Testing of an additional sample of 40 cases identified a further 2 cases (total error value £47) where the overpayments had been misclassified as a prior year eligible overpayments and should have been prior year LA error overpayments or had led to an understatement in cell 61. There is no effect on cell 55.
A further case was identified (total error value £335) where the Authority has understated the overpayment amount. As this understatement of subsidy, this error has not been included in our extrapolations below.

The result of my testing is set out in the table below:

<table>
<thead>
<tr>
<th>Sample:</th>
<th>Movement / brief note of error:</th>
<th>Original cell 72 total:</th>
<th>Sample error:</th>
<th>Sample value, based on eligible overpayments sub-population:</th>
<th>Percentage error rate:</th>
<th>Cell adjustment:</th>
<th>Revised cell total if cell adjustment applied:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial sample - 20 case</strong></td>
<td>Cell 72 overstated due to 1 case where overpayment had been misclassified</td>
<td>£283,318 (£3)</td>
<td>£918</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Additional sample - 40 cases</strong></td>
<td>Cell 72 overstated due to 2 further cases misclassified</td>
<td>£283,318 (£47)</td>
<td>£6,923</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Combined sample - 60 cases</strong></td>
<td>Total overstatement of cell 72 due to overpayment and expenditure misclassification</td>
<td>£283,318 (£50)</td>
<td>£7,841</td>
<td>(0.64%)</td>
<td>(£1,806)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td>Total understatement of cell 61</td>
<td>£283,318</td>
<td>£47</td>
<td>£7,841</td>
<td>0.60%</td>
<td>£1,698</td>
<td></td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td>Total understatement of cell 70</td>
<td>£283,318</td>
<td>£3</td>
<td>£7,841</td>
<td>0.04%</td>
<td>£108</td>
<td></td>
</tr>
<tr>
<td><strong>Total Corresponding adjustment</strong></td>
<td>Total understatement of cell 61 and 70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£1,806</td>
<td></td>
</tr>
</tbody>
</table>

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £3 to £38 and the benefit periods range from 1 week to 2 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 me to conclude that it is fairly stated.

Similar findings on earned income have been included in the predecessor auditor's qualification letter in the prior year.
Cell 094: Rent Allowances - Total expenditure (Benefit Granted)
Cell Total £11,552,319 - sub population (Earned Income)
Cell Population 3,323
Headline Cell £33,965,918

Testing of the initial sample did not identify any fails. However, due to prior year qualification issues in respect of earned income calculations performed by the Authority, an additional random sample of 40 cases was tested. Testing of the additional sample identified:

- 1 case in Rent Allowances (total error value £200), where benefit has been overpaid by the Authority calculating an incorrect earned income. The effect of these errors is to overstate cell 103 (LHA Expenditure), with a corresponding understatement of cell 113 (Local Authority Error Overpayment). There is no effect on cell 94.

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

<table>
<thead>
<tr>
<th>Sample:</th>
<th>Movement / brief note of error</th>
<th>Original cell total – sub population</th>
<th>Sample error</th>
<th>Sample value</th>
<th>Percentage error rate</th>
<th>Cell adjustment</th>
<th>Revised cell total if cell adjustment applied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>[CT]</td>
<td>[SE]</td>
<td>[SV]</td>
<td>[SE/SV]</td>
<td></td>
<td>[RA]</td>
</tr>
<tr>
<td>Initial sample - 20 cases</td>
<td>No errors identified from our initial sample - 7 cases included earnings calculations</td>
<td>£11,552,319</td>
<td>£0</td>
<td>£18,058</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional sample - 40 cases</td>
<td>Cell 103 overstated due to incorrect earned income applied</td>
<td>£11,552,319</td>
<td>(£200)</td>
<td>£88,188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined Sample - 60 cases</td>
<td>Incorrect earned income applied. Cell 103 overstated</td>
<td>£11,552,319</td>
<td>(£200)</td>
<td>£106,246</td>
<td>(0.19%)</td>
<td>(£21,746)</td>
<td></td>
</tr>
<tr>
<td>Total corresponding adjustment</td>
<td>Combined sample. Cell 113 is understated</td>
<td>£11,552,319</td>
<td>(£200)</td>
<td>£106,246</td>
<td>(0.19%)</td>
<td>(£21,746)</td>
<td></td>
</tr>
</tbody>
</table>

The percentage error rate in the sample reflects the individual cases selected. The benefit periods range from 1 week to 52 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 me to conclude that it is fairly stated.

Similar findings on earned income have been included in the predecessor auditor's qualification letter in the prior year.
Cell 094: Rent Allowances - Total expenditure (Benefit Granted)
Cell Total £7,884,889 - sub population (Additional Earnings Disregard)
Cell Population 2,622
Headline Cell £33,965,918

Testing of the initial sample did not identify any fails. However, due to prior year qualification issues in respect of additional earning disregards calculations performed by the Authority, an additional random sample of 40 cases was tested. Testing of the additional sample identified:

- 4 cases in Rent Allowances (total error value £2,999), where benefit has been overpaid by the Authority calculating an incorrect additional earning disregard amount. The effect of these errors is to overstate cells 102 (Cases excluded from Rent Officer Referrals) and 103 (LHA Expenditure), with a corresponding understatement of cell 113 (Local Authority Error Overpayment). There is no effect on cell 94.

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

<table>
<thead>
<tr>
<th>Sample:</th>
<th>Movement / brief note of error</th>
<th>Original cell total – sub population</th>
<th>Sample error</th>
<th>Sample value</th>
<th>Percentage error rate</th>
<th>Cell adjustment</th>
<th>Revised cell total if cell adjustment applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial sample - 20 cases</td>
<td>No errors identified from our initial sample - 6 cases included additional earnings disregards</td>
<td>£7,884,889</td>
<td>£0</td>
<td>£17,585</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional sample - 40 cases</td>
<td>4 errors identified resulting in cell 102 &amp; 103 overstatements due to incorrect additional earning disregards being applied</td>
<td>£7,884,889</td>
<td>(£299)</td>
<td>£77,560</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined Sample - 60 cases</td>
<td>Incorrect additional earnings disregards applied. Cell 102 and 103 overstated</td>
<td>£7,884,889</td>
<td>(£299)</td>
<td>£95,145</td>
<td>(0.31%)</td>
<td>(£24,779)</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>Cell 102 overstated</td>
<td>£7,884,889</td>
<td>(£297)</td>
<td>£95,145</td>
<td>(0.31%)</td>
<td>£24,613</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>Cell 103 overstated</td>
<td>£7,884,889</td>
<td>(£2)</td>
<td>£95,145</td>
<td>(0.002%)</td>
<td>£166</td>
<td></td>
</tr>
<tr>
<td>Total corresponding adjustment</td>
<td>Cell 113 understated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The percentage error rate in the sample reflects the individual cases selected. The value of the errors found range from £2 to £159 and the benefit periods range from 1 week to 52 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 me to conclude that it is fairly stated.
Similar findings on additional earnings disregards have been included in the predecessor auditor's qualification letter in the prior year.

**Cell 114: Rent Allowances – Eligible overpayments**

**Cell Total £708,726**

**Cell Population 3,019**

**Headline Cell £20,312,136**

Testing of the initial sample did not identify any fails. However, due to prior year qualification issues in respect of the classification of Rent Allowance eligible overpayments, an additional random sample of 40 Rent Allowance eligible overpayments were tested. Testing of the additional sample identified:

- 4 case (total error value £118) where the Authority had misclassified on the Northgate system overpaid benefit as eligible overpayments instead of LA error/admin delay. The effect of this error is to overstate cell 114 with a corresponding understatement of cell 113 – LA error overpayments. There was no effect on cell 94; and
- 2 cases where the benefit was underpaid. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as an error for subsidy purposes.

The result of my testing is set out in the table below:

<table>
<thead>
<tr>
<th>Sample:</th>
<th>Movement / brief note of error:</th>
<th>Original cell 114 total:</th>
<th>Sample error:</th>
<th>Sample value, based on eligible overpayments sub-population:</th>
<th>Percentage error rate:</th>
<th>Cell adjustment:</th>
<th>Revised cell total if cell adjustment applied:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial sample - 20 case</td>
<td>No errors identified from our initial sample - 3 cases included eligible overpayments</td>
<td>£708,726</td>
<td>(£0)</td>
<td>£24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional sample - 40 cases</td>
<td>Cell 114 overstated due to 4 further cases misclassified.</td>
<td>£708,726</td>
<td>(£118)</td>
<td>£9,078</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined sample - 60 cases</td>
<td>Total overstatement of cell 114 due to overpayment misclassification</td>
<td>£708,726</td>
<td>(£118)</td>
<td>£9,102</td>
<td>(1.30%)</td>
<td>(£9,188)</td>
<td></td>
</tr>
<tr>
<td>Total Corresponding adjustment</td>
<td>Total understatement of cell 113 – LA error overpayments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£9,108</td>
<td></td>
</tr>
</tbody>
</table>

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £3 to £91 and the benefit periods range from 1 week to 5 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 me to conclude that it is fairly stated.

Similar findings on additional earnings disregards have been included in the predecessor auditor's qualification letter in the prior year.
Observations:

Cell 094: Rent Allowances - Total expenditure (Benefit Granted)
Cell Population 9,271
Headline Cell £33,965,918
Underpayment of subsidy

Testing of the initial sample identified 1 failed case where an increase in rent liability had not been actioned by the Authority and hence resulted in underpaid benefit. Further investigation reveals that the error will always result in underpayment because the system is set to pay only on the lower rent liability based on the household details which determine the size of the accommodation. In any subsequent change of circumstances such as a change in household members is automatically flagged up by the system for periodical checks to ensure the correct LHA rate is applied correctly. As the error of an increase in rent liability will always result in an underpaid benefit no additional testing has been undertaken in this case.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Cell 094: Rent Allowances - Total expenditure (Benefit Granted)
Cell Total £3,327,321 sub population (Rent Allowance JSA (IB) cases)
Cell Population 967
Headline Cell £33,965,918
Underpayment of subsidy

Testing of the initial sample did not identify any fails. However, due to prior year qualification issues in respect of the application of incorrect start dates for Rent Allowance JSA (IB) cases by the Authority, an additional random sample of 40 Rent Allowances JSA (IB) cases were tested.

Testing of the additional sample identified 4 testing fails, however, in each case the error led to an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Cell 094: Rent Allowances - Total expenditure (Benefit Granted)
Cell Total £980,229 sub population (Rent Allowance cases with Assumed Maximum Income)
Cell Population 300
Headline Cell £33,965,918
Underpayment of subsidy

Testing of the initial sample did not identify any fails. However, due to prior year qualification issues in respect of the incorrect application of Assumed Maximum Income for Rent Allowance cases by the Authority, an additional random sample of 40 Rent Allowances Assumed Maximum Income cases were tested.

Testing of the additional sample identified 3 testing fails, however, in each case the error led to an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Cell 113: Rent Allowances - LA error and administrative delay overpayment
Cell Total £96,610
Cell Population 893
Headline Cell £33,965,918
Underpayment of subsidy

Testing of the initial sample did not identify any fails. However, due to prior year qualification issues in respect of the classification of Rent Allowance LA error overpayments, an additional random sample of 40 Rent Allowance LA error overpayments were tested.

Testing of the additional sample identified one testing failure (error amount (£34)) where the overpayment amount could not be recalculated due to the number of amendments made on the claim. However, as the overpayment amount was negative, the impact is to under-claim subsidy and as such this has not been classified as an error for subsidy purposes.