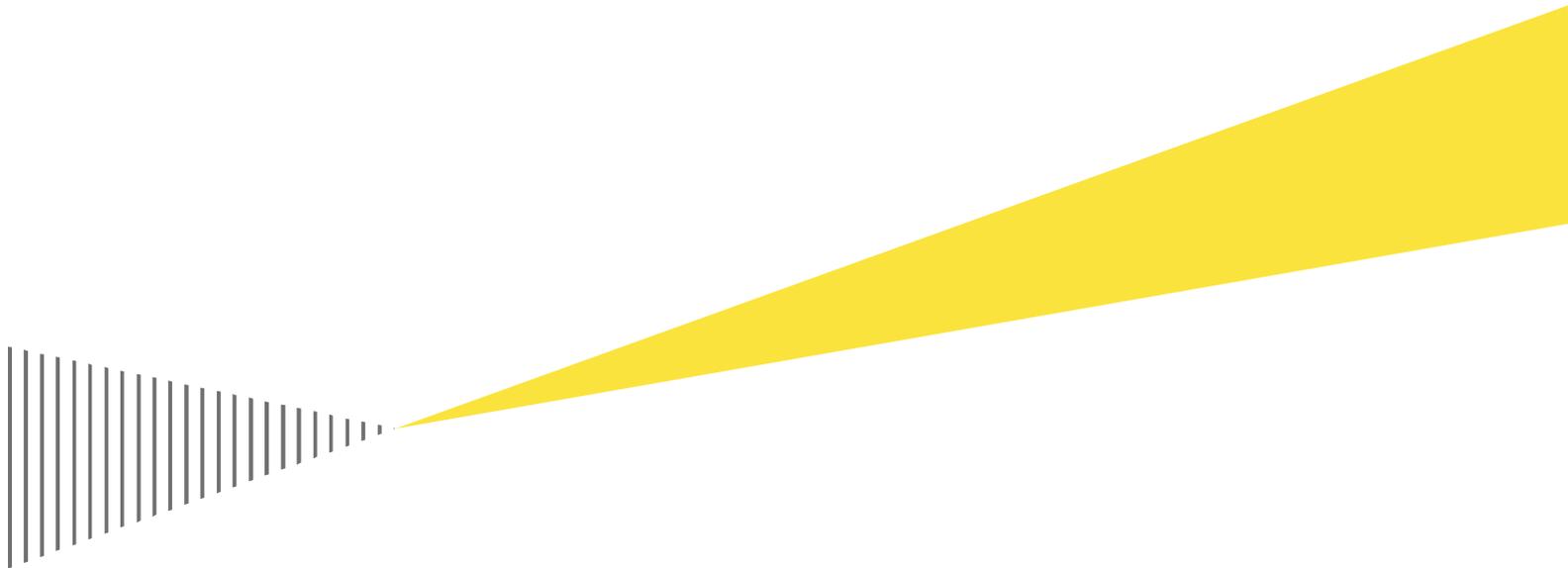


# Certification of claims and returns annual report 2016-17

Waveney District Council

January 2018

Ernst & Young LLP



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Dear Members

## **Certification of claims and returns annual report 2016-17 Waveney District Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Waveney District Council's 2016-17 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 must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors 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 2016-17, 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 and did not undertake an audit of the claim.

In addition to this, we act as reporting accountants in relation to the pooling of housing capital receipts return outside the PSAA's regime. This work is yet to be undertaken.

### **Summary**

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £36,723,306. We met the submission deadline issuing a qualification letter on 29 November 2017. Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).



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

Yours faithfully

**Kevin Suter**  
Associate Partner  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£36,723,748
Amended/Not amended	Amended – subsidy reduced by £402
Qualification letter	Yes
Fee – 2016-17	£24,070
Fee – 2015-16	£8,351

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 auditors to complete more extensive '40+' or extended testing 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 audit of previous years' claims. We found errors and carried out extended testing in several areas similar to prior years.

Our extended and other testing identified errors which the Council amended. They had a small net impact on the claim increasing subsidy by £402.

We reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP will decide whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

**HRA Rent Rebates – Earned Income.** Testing of the initial sample identified 1 case where ordinary entitlement to benefit had been misclassified as overpayment due to miscalculation of claimant income. Testing of an additional 40 cases from a sub-population of cases containing earned income identified 5 cases where benefit had been overpaid and 8 cases where benefit had been underpaid. We reported an extrapolated overpayment of £609.

**HRA Rent Rebates – Tax Credits.** Testing of the initial sample identified 1 case where miscalculation of claimant tax credits led to underpaid benefit and 1 case where it had no impact on the benefit due. Testing of an additional 40 cases from a sub-population of cases containing tax credits identified 1 case where benefit had been overpaid. We reported an extrapolated overpayment of £237.

**HRA Rent Rebates – Savings Credit.** Testing of the initial sample identified 1 case where miscalculation of savings credit led to overpaid benefit. Testing of an additional 40 cases from a sub-population of cases containing savings credit identified 1 case where benefit had been underpaid. We reported an extrapolated overpayment of £364.

**Rent Allowances – Expenditure under LHA rules.** Testing of the initial sample identified 1 case where ordinary entitlement to benefit had been misclassified as overpayment due to miscalculation of eligible rent. Testing of an additional 40 cases identified 1 case where benefit had been overpaid. We reported an extrapolated overpayment of £2,993.

**Rent Allowances – Earned Income and Earnings Disregards.** Testing of the initial sample identified 1 case where officers had not applied correct earnings disregard; this had no impact on the claimant's benefit entitlement. Testing of an additional 40 cases from a sub-population of cases containing earned income identified 4 cases where benefit had been overpaid; 1 case where expenditure had been misclassified as overpayment; 2 cases where errors had no impact on the claim; and 6 cases where benefit had been underpaid. We reported an extrapolated overpayment of £2,816.

**Rent Allowances – Pensionable Age Applicable Amount.** Our initial testing identified 1 case where the Pensionable Age Applicable Amount was applied from the incorrect date. This error affected a small population of 28 claimants. Officers reviewed all of these cases and we reported that of the 28 cases there were 3 fails; 2 leading to no impact and one leading to overpayment of £27. This error has been corrected in the system in 2017/18.

**Cross Cutting Qualification Issue** – officers were unable to reconcile a difference of £1,413 between benefit granted and benefit paid. Officers were also unable to reconcile a difference of £530 between Rent Allowance expenditure disclosed per the claim form and the Authority's underlying system.

## 2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
<b>Certification Fees</b>			
Housing benefits subsidy claim	24,070	16,740	8,351

The indicative certification fee for 2016/17 is based on the actual fee for 2014/15 with a 25% reduction in scale fee. For 2016/17 the level of error identified was significantly higher than that identified in 2014/15.

The Council undertook all of the initial testing and we allowed a 20% reduction in the indicative fee as a result. However:

- in 2016/17 there were 5 lots of 40+ workbooks compared with only 2 in 2014/15;
- the volume and complexity of fails in the 40+ was higher with a total of 29 fails;
- there were 4 case failures in our initial testing which led to 100% testing of drill down populations by officers which we then sample tested; and
- Three lots of 40+ workbooks were split into 12 to speed up processing by officers. However this added to the time required to check the integrity of those workbooks before submitting snapshots to PSAA.

We therefore propose to submit a scale fee variation for 2016/17 of £7,330 (2015/16: £2,664 credit). This proposed fee increase is subject to PSAA approval.

### 3. Looking forward

#### 2017/18

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 (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £11,015. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

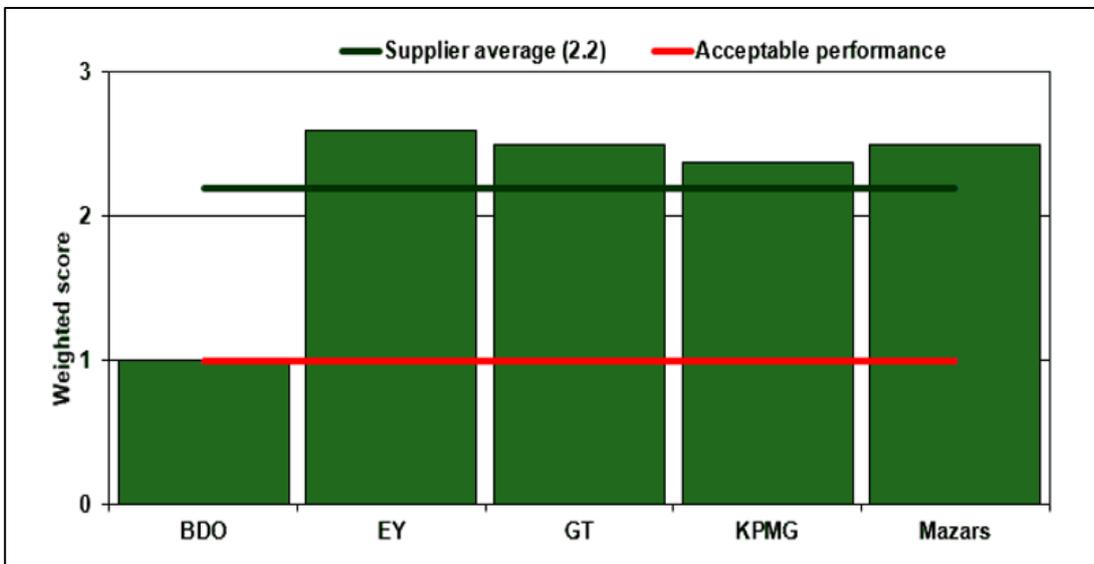
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Finance Director before seeking any such variation.

#### 2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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