

Waveney District Council

**Certification of claims and
returns annual report 2017/18**

February 2019

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

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Audit and Governance Committee
Waveney District Council
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Lowestoft
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February 2019

Dear Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Waveney District Council's 2017/18 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 reporting accountants 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 2017/18, 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.

Summary

Section 1 of this report outlines the results of our 2017/18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £31,044,514. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2017/18 were published by the Public Sector Audit Appointments Ltd (PSAA) and are available on the PSAA's website (www.psaa.co.uk).

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

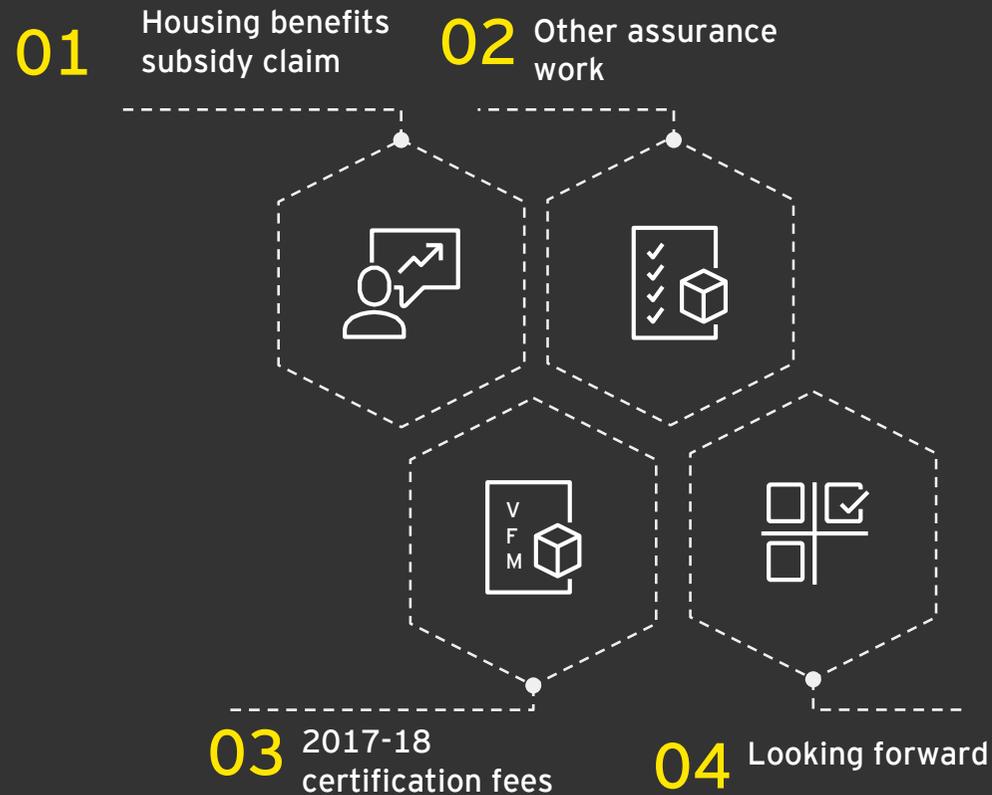
Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between 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. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Governance Committee and management of Waveney District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Waveney District Council those matters we are required to state to them in this 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 Audit and Governance Committee, and management of Waveney District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£31,044,514
Amended/Not amended	Amended
Qualification letter	Yes
Fee - 2017/18	£20,884 (Subject to PSAA approval)
Fee - 2016/17	£24,070

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 reporting accountants 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 certification of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had no net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then 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 reported are on the following page.

We have identified errors in the calculation of earnings across all seven authorities within Anglia Revenues Partnership (ARP) during 2017/18 and in previous years. Given the level of these errors Anglia Revenues Partnership have implemented additional quality control procedures for all claims containing earnings since 1 April 2018 with an aim to reducing the overall level of error in this area.

Housing benefits subsidy claim

Description of Cell	Nature of Error
Cell 55: Rent Rebates (Tenants of HRA Properties) - Total Expenditure (Benefit Granted)	In 2016/17 we identified errors where the Authority had incorrectly assessed earned income. Testing of initial sample in 2017-18 identified 1 incorrect assessment of earned income with no impact on benefit paid. Our 2017-18 '40+' sub population testing of claims with earned income identified an additional 3 no impact fails, 2 underpayments and 4 overpayments. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £7,054, following DWP's extrapolation methodology.
Cell 55: Rent Rebates (Tenants of HRA Properties) - Total Expenditure (Benefit Granted)	In 2016/17 we identified errors where the Authority had incorrectly input tax credits. Our 2017-18 '40+' sub population testing of claims which contained tax credits identified 2 fails with no impact on benefit paid and 2 overpayments. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £523, following DWP's extrapolation methodology.
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	In 2016/17 we identified errors where the Authority had incorrectly assessed earned income and earnings disregard. Our 2017-18 '40+' sub population testing of claims with earned income and disregards identified 2 fails with no impact on benefit paid, 6 underpayments and 5 overpayments. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £6,277, following DWP's extrapolation methodology.
Cell 55: Rent Rebates (Tenants of HRA Properties) - Total Expenditure (Benefit Granted)	Testing of initial sample in 2017-18 identified 1 fail where child tax credits had been incorrectly applied from the start of the claim rather from the date awarded leading to underpayment of benefit. This type of fail will always lead to underpaid benefit therefore there was no requirement to perform additional testing in this area. We reported an observation in regards to this in the Qualification Letter.
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of initial sample in 2017-18 identified 1 fail where guaranteed credit had been incorrectly applied from the Monday following the change rather than on the date of the change as per the relevant benefit rule. This fail had no impact on the level of benefit awarded leading to underpayment of benefit. This type of fail will always lead to underpaid benefit or no impact, therefore there was no requirement to perform additional testing in this area. We reported an observation in regards to this in the Qualification Letter.

Housing benefits subsidy claim

Description of Cell	Nature of Error
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of initial sample in 2017-18 identified 1 fail where a decrease in monthly rent had not been applied to the claim leading to no impact on benefit awarded. Our 2017-18 '40+' sub population testing of claims in cell 103 with rent assessment did not identify any further fails. We reported an observation in regards to this in the Qualification Letter.
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of initial sample in 2017-18 identified 1 incorrect assessment of self-employed earnings with no impact on benefit paid. Our 2017-18 '40+' sub population testing of claims with self-employed earnings identified an additional 4 no impact fails. We reported an observation in regards to this in the Qualification Letter.



02

Other assurance work





Other assurance work

During 2017-18 we also acted as reporting accountants in relation to the Pooling of Housing Capital Receipts scheme.

This work is ongoing and we will provide a separate report to the Management in relation to that return. This work has been undertaken outside the PSAA regime. The fees for this are included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide assurance.

We have not identified any significant issues from this work that need to be brought to the attention of Members.



03

2017/18 certification fees





2017/18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psaa.co.uk).

Claim or return	2017/18	2017/18	2016/17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim (note 1)	20,884	11,015	24,070
Pooling of Housing Capital Receipts Return (note 2)	4,000	3,500	3,300

Note 1

The indicative fee for 2017/18 is based on the actual fee for 2015/16. For 2017/18 the level of error identified was higher than that identified in 2015/16 this has resulted in an increase of the fee by £9,869, which is still to be confirmed with the PSAA.

Note 2

The work agreed with the Ministry for Housing, Communities and Local Government has increased the scope of the work required on the Pooling of Housing Capital Receipts Return and we have therefore requested a small increase in the fee to reflect this. The work is ongoing and the fee may therefore be subject to further variation but we would not expect it to exceed £4,500.



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Looking forward



Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim.

We welcome the opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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