

Certification report 2015/16 for Waverley Borough Council

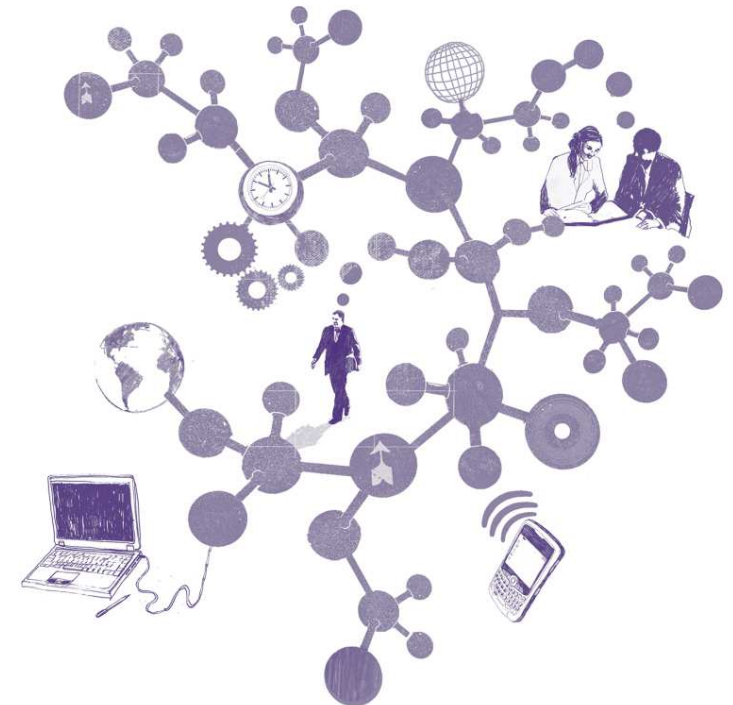
Year ended 31 March 2016

February 2017

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Section 1: Summary of findings

01. Summary of findings

Summary of findings

Introduction

Certain claims and returns submitted by local authorities require auditor certification to help confirm the authority's entitlement to funding.

For 2015/16 the only claim requiring auditor certification at Waverley Borough Council ('the Council') was the Council's claim for housing benefit subsidy.

Auditors are required to report the outcomes of certification work to those charged with governance. This report summarises the outcomes from our certification work on the Council's housing benefit subsidy claim for 2015/16.

Approach and context to certification

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies.

Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT (the framework used for the certification of housing benefit subsidy claims) issued by the Audit Commission in February 2015.

Our certification work has been completed using the HB COUNT framework.

In 2015/16 the Council's draft claim was for housing benefit subsidy of £29.6m.

Key messages

The Council's draft and final certified claims for housing benefit subsidy were submitted within the deadlines specified by the Department for Work and Pensions (DWP).

The 2015/16 claim was amended prior to certification. The impact of the amendments was to reduce total subsidy claimed by £119.

We reported on a number of other issues to DWP in a qualification letter.

Further information on the outcomes from our certification work is provided at Appendix A.

Certification fees

For each Council an indicative scale fee for certification work is set by PSAA.

Summary of findings

The 2015/16 indicative scale fee for the Council's housing benefit subsidy claim reported in our audit plan of March 2016 was £11,381. This indicative fee was based on the outcomes from the certification work for 2013/14, at that time the most recent information available.

In 2015/16 follow-up testing has been required in respect of errors first identified in previous years, together with additional testing on a small number of errors identified from our 2015/16 initial testing. Given the overall level of work required we are proposing a final fee of £19,991 for our 2015/16 certification work.

Our proposed fee has been agreed with the Head of Finance. The variation to the fee is also subject to approval by PSAA, which is required to approve all variations to the scale fee. We are currently waiting final approval from PSAA.

The way forward

The recommendations arising from our certification work are at Appendix D.

Acknowledgements

We would like to take this opportunity to thank officers for their assistance and co-operation with our 2015/16 certification work.

Grant Thornton UK LLP
February 2017

Appendices

Appendix A: Work performed 2015/16

| Claim or return | Comments |
|--------------------------------------|---|
| <p>Housing benefit subsidy claim</p> | <p>Overall approach</p> <p>The PSAA certification framework requires sample testing of benefit claims to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes. Three initial samples are tested (all transactions in year)</p> <ul style="list-style-type: none"> - 20 rent allowance cases; - 20 non-HRA rent rebate cases; and - 20 HRA rent rebate cases. <p>Where errors are identified from this initial testing, and there is not enough information to agree a claim amendment or assess the impact of the error across the population as a whole, then additional testing is performed (either on a further sample of 40 cases, or on all relevant cases, depending on the number of cases where the error could have occurred) for the issue giving rise to the error.</p> <p>Under the PSAA framework auditors are also required to perform sample testing to cover previous year issues and confirm that these do not affect the current year's claim.</p> <p>Where the impact of errors can be quantified exactly then the claim is amended. Where the potential impact on subsidy can only be estimated or extrapolated then the issue is reported to DWP using a qualification letter.</p> |

Appendix A: Work performed 2015/16

| Claim or return | Comments |
|--|---|
| <p>Housing benefit subsidy claim (continued)</p> | <p>Outcomes from claims testing</p> <p>A summary of the outcomes from our 2015/16 certification testing of individual claims is included at Appendix B.</p> <p>For errors where the impact for subsidy purposes cannot be quantified exactly then extrapolations are performed and reported to DWP using a qualification letter. It is for DWP to decide what action to take on the issues reported. However, the issues reported in our 2015/16 qualification letter as below are unlikely to have a significant impact on subsidy payable.</p> <p>(a) Underpayment errors are reported to DWP, and require adjustments for individual claimants, but will have no impact for subsidy purposes as subsidy cannot be claimed for benefit which has not been awarded.</p> <p>(b) Local authority overpayments:</p> <ul style="list-style-type: none"> • For rent rebates the aggregate impact of the reported extrapolations would be to increase local authority overpayments (paying nil subsidy) by £1,554, with corresponding reductions at other lines paying full subsidy. • For rent allowances the aggregate impact of the reported extrapolations would be to increase local authority overpayments (paying nil subsidy) by £6,703, with corresponding reductions at other lines paying full subsidy. <p>However, the amount of subsidy receivable for local authority overpayments also depends on the aggregate value of those overpayments relative to a threshold set by DWP. After adjusting for the reported extrapolations the value of local authority overpayments would remain below this DWP threshold, and as such would continue to attract full subsidy.</p> |

Appendix B: Outcomes from testing of benefit claims

| | Cases tested | Errors identified | |
|---|-------------------------|-------------------|---|
| Follow up testing: Rent rebates | | | |
| Follow up testing was performed in the following areas to address issues arising from our 2014/15 certification work. | | | NB: Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded. |
| Calculation errors relating to working tax credit | 40 | 0 | |
| Calculation errors relating to earned income | 40 | 0 | No errors were identified in relation to the claimant's earned income amounts however we identified four cases where the partner income had been excluded from the calculation. The impact of these errors is detailed on page 8. |
| Calculation errors relating to bedroom tax | 40 | 0 | |
| Incorrect classification of LA overpayment to backdated expenditure | 30 (100% of population) | 6 | Amendment agreed with Council to cell 078 on the final claim. |

Appendix B: Outcomes from testing of benefit claims

| | Cases tested | Errors identified | |
|---|-------------------------|-------------------|---|
| Follow up testing: Rent allowances | | | |
| Follow up testing was performed in the following areas to address issues arising from our 2014/15 certification work. | | | NB: Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded. |
| Calculation errors relating to retirement pensions | 40 | 1 | The impact of this errors is detailed on page 8. |
| Calculation errors relating to local housing allowance rate | 40 | 0 | |
| Calculation errors relating to rent uplift | 40 | 1 | Error resulted in underpayment to claimant. |
| Incorrect classification between cell 096 and cell 098 | 31 (100% of population) | 0 | |

Appendix B: Outcomes from testing of benefit claims

| | Cases tested | Errors identified | |
|---|-------------------------|-------------------|--|
| Follow up testing: Modified schemes | | | |
| Follow up testing was performed in the following areas to address issues arising from our 2014/15 certification work. | | | NB: Where testing identifies that benefit has been underpaid there is no impact on subsidy as subsidy cannot be claimed on benefit that has not been awarded. |
| Calculation errors relating to retirement pensions | 21 (100% of population) | 1 | Identified one case where a war widow pension was not received by the claimant. The amount should not have been included and the Council has amended the final claim for this. |

Appendix B: Outcomes from testing of benefit claims

| | Initial testing: Errors identified | Additional testing sample | Additional testing: Errors identified | |
|---|---------------------------------------|---------------------------|--|---|
| <p>2015/16 Initial testing: Rent allowances</p> <p>Testing was performed on an initial sample of 20 benefit claims.</p> <p>This testing identified the following errors requiring additional testing:</p> <p>Errors where the authority had classified local authority / admin errors as eligible errors</p> | 2 | 40 | 2 | <p>In these four cases payments had been included at cell 114, paying 100% subsidy, but should have been included at cell 113, paying nil subsidy.</p> <p>The impact was extrapolated and reported to DWP</p> |

Appendix C: Fees

| Claim or return | 2014/15 fee | 2015/16 indicative fee | 2015/16 actual fee* | Variance with previous year | Explanation for variance |
|--|-------------|------------------------|---------------------|-----------------------------|---|
| | £ | £ | £ | £ | |
| Housing benefit subsidy claim | 22,240 | 11,381 | 19,991 | 2,249 | Follow up testing required in respect of previous year errors, together with additional work on errors identified from 2015/16 initial testing. |
| * The 2015/16 actual fee includes a proposed increase to the indicative scale fee. This increase is subject to approval by PSAA who are required to approve all variations to the scale fee. | | | | | |



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