

Certification of claims and returns annual report 2015-16

Oxford City Council

February 2017

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2015-16 Oxford City Council

We are pleased to report on our certification work. This report summarises the results of our work on Oxford City Council's 2015-16 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 2015-16, 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.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £63,849,908. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected.

Our work in 2015-16 still identified a number of errors, particularly in respect of income assessment and misclassification between overpayment cells. Details are included in section 1. We have made the same recommendations as last year, set out in section 4.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now 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 Audit and Governance Committee.

Yours faithfully

Paul King
Executive Director
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Contents

1. Housing benefits subsidy claim	1
2. 2015-16 certification fees	2
3. Looking forward	3
4. Summary of recommendations	4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£63,840,897
Amended	Amended
Qualification letter	Yes
Fee – 2015-16	£25,438
Fee – 2014-15	£34,100
Recommendations from 2014-15	Findings in 2015-16
The Council still needs to prioritise staff training and quality control in the Revenues and Benefits team to ensure that the target set by the Council for benefit assessment accuracy is met and reduce the level of our testing required to certify this claim.	Our work is still identifying a number of errors particularly in respect of income assessment and mis-classification between overpayment cells.

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. We found errors and carried out additional testing in several areas.

Non-HRA - Tax Credits

Due to an error identified in the prior year (2014-15) the Council reviewed all Non-HRA cases which had tax credits. This identified one case where the incorrect tax credits had been used resulting in an overpayment. As a result the claim was amended.

Rent Allowances - Student Loans

Due to issues identified in the prior year (2014-15) the Council reviewed all Rent Allowance cases which had student loans. This identified nine cases where the student loan information had been used. As a result the claim was amended.

Additional '40+' testing was undertaken, and an extrapolation of the errors found was included within the Qualification letter. No amendment was made to the claim.

Non-HRA – Classification of Overpayments

Two cases failed due to an incorrect classification of overpayments (between eligible error and technical error). As a result, a full listing of cases with eligible error was obtained and an additional 40 cases were tested for correct calculation of the overpayments. This identified a further nine failures where the incorrect classification of the overpayment had been made. This resulted in an extrapolated overstatement of eligible error of £2,218 and a corresponding underpayment of technical error.

Non-HRA – Earned Income

In two of the cases tested the earned income for the claimant had been calculated incorrectly. This led to an overpayment of benefit.

As a result, a full listing of cases with earned income was obtained and an additional 40 cases tested for correct calculation of earned income. This identified a further five failures where the incorrect earned income had been calculated resulting in an overpayment of benefit.

This resulted in an extrapolated overpayment of £2,712 which was included in our Qualification Letter.

Rent Allowances – Earned Income

In one of the cases tested the earned income for the claimant had been calculated incorrectly. This led to an overpayment of benefit.

As a result, a full listing of cases with earned income was obtained and an additional 40 cases were tested for correct calculation of earned income. This identified a further 15 failures where the incorrect earned income had been calculated. Seven of these resulted in an overpayment of benefit while the other eight either resulted in an underpayment or did not have an impact.

This resulted in an extrapolated overpayment of £70,942 which was included in our Qualification Letter.

Rent Allowances – Weekly Rent Liability

In one of the cases tested the weekly rent liability for the claimant had been calculated incorrectly. This led to an underpayment of benefit.

As a result an additional sample of 40 cases was tested for correct weekly rent liability. This identified one additional error that resulted in an underpayment.

As both errors resulted in an underpayment, no extrapolation was performed.

Rent Allowances – Non-Dependant Earnings

In one of the cases tested the non-dependant earnings for the claim had been calculated incorrectly. This led to an underpayment of benefit.

As a result, a full listing of cases with non-dependant earnings was obtained and an additional 40 cases were tested for correct calculation of non-dependant earnings. This identified a further 11 failures where the incorrect non-dependant earnings had been calculated. Two of these resulted in an overpayment of benefit while the other nine either resulted in an underpayment or did not have an impact.

This resulted in an extrapolated overpayment of £23,756 which was included in our Qualification Letter.

Rent Rebates – Earned Income

In three of the cases tested the earned income for the claimant had been calculated incorrectly. This led to an underpayment of benefit.

As a result, a full listing of cases with earned income obtained and an additional 40 cases were tested for correct calculation of earned income. This identified a further eight failures where the incorrect earned income had been calculated. One of these resulted in an

overpayment of benefit while the other seven either resulted in an underpayment or did not have an impact.

This resulted in an extrapolated overpayment of £439 which was included in our Qualification Letter.

Rent Rebates – Classification of Overpayments

One case failed due to an incorrect classification of overpayments (between eligible error and technical error). As a result, a full listing of cases with eligible error was obtained and an additional 40 cases were tested for correct calculation of the overpayments. This identified a further seven failures where the incorrect classification of the overpayment had been made.

This resulted in an extrapolated overstatement of eligible error of £22,696 and a corresponding underpayment of technical error of £16,866 and LA error of £5,830.

The total value of the extrapolated overpayments detailed above is £225,639.

If the value of these extrapolations is added to the value of Local Authority Error included in the claim form then the total value exceeds the value of the error threshold. The error threshold is the figure up to which the Council are allowed to claim full subsidy for Local Authority Error. Breaching the error threshold means that the DWP may claw back the total value of recorded error and our extrapolated error.

We have reported these extrapolations within our qualification letter to the DWP, who will determine what action to take. At the date of this report, the DWP has not indicated what they will do. They might ask the Council to carry out further work to quantify the error, or to claw back the benefit subsidy paid.

2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	25,438	25,438	34,100

3. Looking forward

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 2016-17 is £25,575. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psa.co.uk/audit-and-certification-fees/201617-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 head of financial services before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Issue	Proposed Action
The accuracy of benefits processing has not improved year on year	<p>The Council should prioritise staff training and quality control in the Revenues and Benefits team.</p> <p>The Council should:</p> <ul style="list-style-type: none"> - extend the level of checking that is carried out in known problem areas; - monitor the % of cases that are checked to ensure that any targets set are being met; and - identify assessors who are making the most errors and focus checking on the cases they have processed

The Council's response

In response to our findings and recommendations the Council has taken the following actions:

Staff Training – the Council has put in place extensive training during 2016-17 in a number of areas within the Benefits Service where frequent errors have been identified.

Rent Allowances (Student Loans) - training has been provided in October 2016 with the aim of avoiding errors in this area in 2016-17.

Non-HRA (Tax Credits) - the Council will ensure that this area is addressed in 2017-18 checking.

Classification of Overpayments - training on the classification of overpayments has been provided in January 2017.

Earned Income, Weekly Rent Liability, Non-dependant income – training will be provided in 2017-18. In April 2017, all Benefits Service staff will be undertaking a refresher course in Housing Benefit. This is a six day intensive course and will conclude with a three hr test to ensure that all training has been understood and can be applied to assessment of benefit entitlement. In addition to the course, each staff member will have an updated procedure manual to ensure that all staff apply the same interpretations and rule in line with current guidance and case law. This manual will be ready in March 2017.

Accuracy Target - Accuracy is currently set at 90 per cent and the recommendations from Management is to increase this to 95 per cent to take into account the training provided and revised procedures.

Checking, Monitoring and Review – the checking process within the Benefits Service has remained consistent despite other operational pressures. Checking is now 4 per cent of decisions made (rather than caseload) which has increased the number of claims that will be reviewed. The checking will not be the whole claim, but parts of the claim which have been changed. Focus areas are earning claims and new claims, to ensure that the claim is correct at the first point of assessment. This means that checking has now increased from approximately 25 claims to 70 claims per week. On monitoring and review, the Benefits Service has acquired a system (PMQA) in December 2016 that allows management and the quality checking staff to monitor and review the errors that are identified in the daily checking process, with full roll out planned for March 2017.

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