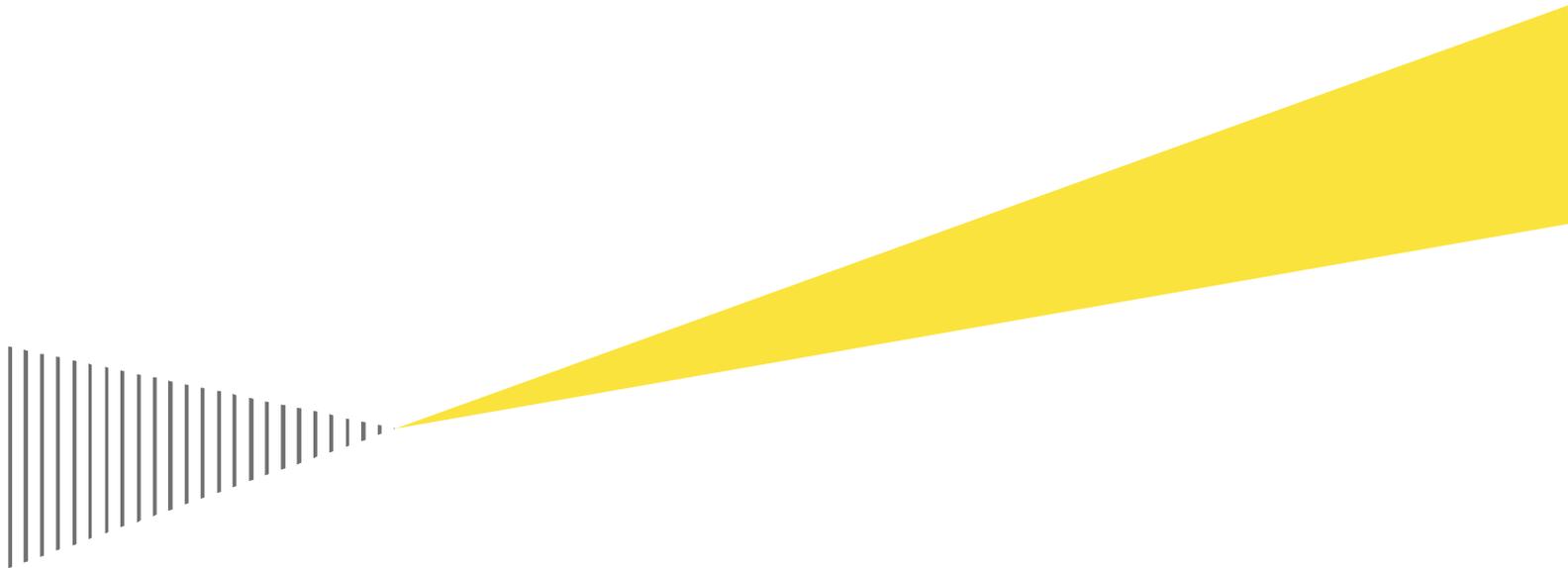


# Certification of claims and returns annual report 2016-17

Oxford City Council

December 2017

Ernst & Young LLP



Building a better  
working world

The Members of the Audit and Governance Committee  
Oxford City Council  
The Town Hall  
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Oxford OX1 1BX

February 2017  
Ref: OxCity 16-17

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Dear Members

## **Certification of claims and returns annual report 2016-17 Oxford City Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Oxford City Council's 2016-17 Housing Benefit claim.

### **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.

### **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 £61,266,389. 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 2016/17 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 this work is 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 now 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 11 January 2018 Audit and Governance Committee.

Yours faithfully

**Paul King**  
Associate Partner  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£61,266,389
Amended/Not amended	Amended (there were a number of minor amendments affecting supporting cells. These did not impact the overall value of the claim)
Qualification letter	Yes
Fee – 2016-17	£25,575
Fee – 2015-16	£25,438
Recommendations from 2015-16	Findings in 2016-17
<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"> <li>- extend the level of checking that is carried out in known problem areas;</li> <li>- monitor the % of cases that are checked to ensure that any targets set are being met; and</li> <li>- identify assessors who are making the most errors and focus checking on the cases they have processed</li> </ul>	<p>Our work is still identifying a number of errors particularly in respect of income assessment and mis-classification between overpayment cells.</p>

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.

Extended and other testing identified errors which the Council amended. These did not have a 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. These are the main issues we reported:

### Non HRA – Earned Income

In two of the cases tested the earned income for the claimant had been calculated incorrectly. One of these cases resulted in an underpayment and the other resulted in an overpayment. As a result, a full listing of cases with earned income was obtained and all cases tested for correct calculation of earned income. This identified a further six failures where the incorrect earned income had been calculated resulting in an overpayment of benefit.

As a result, the claim was amended.

### **Non HRA – Manual Tax credits**

In one case tested a manual working tax and child tax credit had been incorrectly entered onto the claim. This case resulted in an underpayment. As a result, a full listing of cases with manual working tax and child tax credits was obtained. We tested 100% of the cases (36) and did not identify any further errors.

This did not require an amendment to the claim and was not raised within the Qualification Letter.

### **Non HRA – Other issues**

For one case we were unable to reconcile the workbook back to the headline cell total. There was an outstanding difference of £4.15.

This was included within our Qualification Letter.

For one case the benefit type for the case had been miscoded. It should have been a rent rebate instead of a Non-HRA rent rebate. As eligible rents and benefit entitlement have been correctly calculated. No additional testing has been undertaken as we can confirm it would have no impact on subsidy.

This was included within our Qualification Letter.

### **Rent Rebates – Capital**

In one case tested the tariff income from capital for the claimant had been calculated incorrectly resulting in an overpayment. As a result, a full listing of cases with tariff income from capital was obtained and an additional 40 cases tested for correct calculation of tariff income from capital. This identified a further three failures where the incorrect tariff income from capital had been calculated. None of these additional failures resulted in an overpayment of benefit.

This resulted in an extrapolated overpayment of £3,005 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 ten failures where the incorrect classification of the overpayment had been made.

This resulted in an extrapolated overstatement of eligible error of £15,396 and a corresponding underpayment of technical error of £12,794 and LA error of £2,602 which was included in our Qualification Letter.

### **Rent Rebates – Earned Income**

Due to issues identified in the prior year (2015/16) a full listing of cases with earned income was obtained and 40 cases were tested for correct calculation of earned income. This identified five failures where the incorrect calculation of earned income resulting in an overpayment of benefit.

This resulted in an extrapolated overpayment of £2,308 which was included in our Qualification Letter.

### **Rent Allowances – Rent and Earned Income**

Due to issues in the prior year (2015/16) a full listing of cases with earned income was obtained and 40 cases were tested for correct calculation of rent and earned income. In two of the cases tested the earned income for the claimant had been calculated incorrectly. One of these cases resulted in an underpayment and the other resulted in an overpayment. As a result, a full listing of cases with earned income was obtained and all cases tested for correct calculation of earned income. This identified a further six failures where the incorrect earned income or rent had been calculated resulting in an overpayment of benefit.

In addition, from our initial testing one case had incorrect calculation of rent resulting in an overpayment of benefit.

This resulted in an extrapolated overpayment of £34,573 which was included in our Qualification Letter.

### **Rent Allowances – Classification of Overpayments**

One case failed due to an incorrect classification of overpayments (between eligible error and local authority 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 failure where the incorrect classification of the overpayment had been made.

This resulted in an extrapolated overstatement of eligible error of £737 and a corresponding underpayment LA error of £737 which was included in our Qualification Letter.

### **Rent Allowances - Student Loans**

Due to issues identified in the prior year (2015/16) the Council reviewed all Rent Allowance cases which had student loans. As a result, a full listing of cases with student loans was obtained and all cases tested for correct calculation of student loans. This identified one failure where the incorrect student loan had been calculated resulting in an overpayment of benefit.

As a result, the claim was amended.

## 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 £
Housing benefits subsidy claim	25,575	25,575	25,438

### 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 £25,438. 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 Head of Financial Services 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 we are discussions with officer to 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.

## 4. Summary of recommendations

In the prior year certification report for 2015/16 we made the recommendation in the table below. Following on from this, the Council put in place an improvement plan that involved increased staff training (in April and May 2017) as well as increasing the levels of checks performed on claims.

Due to the timing of the recommendations, which were raised at the end of 2016, we would not expect to see a tangible improvement in the number of issues identified until 2017/18.

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"> <li>- extend the level of checking that is carried out in known problem areas;</li> <li>- monitor the % of cases that are checked to ensure that any targets set are being met; and</li> <li>- identify assessors who are making the most errors and focus checking on the cases they have processed</li> </ul>

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