



## AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 2 December 2015  
Time: 5.30 pm  
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer (Committees) on 01392 265115 or email [sharon.sissons@exeter.gov.uk](mailto:sharon.sissons@exeter.gov.uk)

Entry to the Civic Centre can be gained through the Customer Services Centre, Paris Street.

### *Membership -*

Councillors Vizard (Chair), Laws (Deputy Chair), Baldwin, Buswell, Harvey, Henson, Lyons, Raybould, Sheldon, Thompson and Williams

### Agenda

#### **Part I: Items suggested for discussion with the press and public present**

#### **7 2014/15 Certification Report**

To consider the report of the Council's current External Auditors Grant Thornton. (Pages 3 - 14)

#### **Date of Next Meeting**

The next **Audit and Governance Committee** will be held on Wednesday 9 March 2016 at 5.30 pm

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265107 for further information.

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# Certification report 2014/15 for Exeter City Council

Year ended 31 March 2015

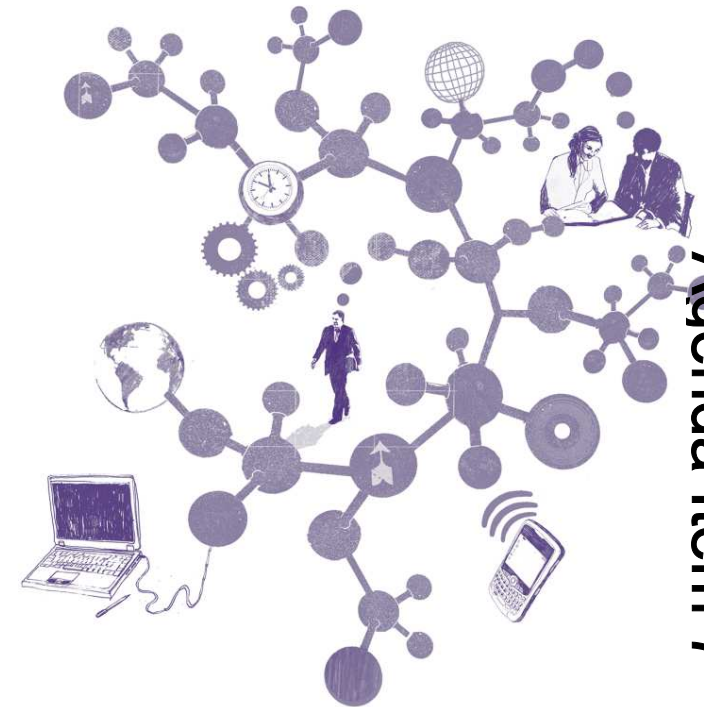
25 November 2015

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Agenda Item 7

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# Section 1: Summary of findings

01. Summary of findings

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# Summary of findings

## Introduction

We were only required to certify one claim for the financial year 2014/15 – the Housing Benefits Subsidy return, which has a value of approximately £40m.




## Approach and context to certification

Arrangements for certification of the Housing Benefits Return were set by the Audit Commission before its closure in March 2015.

The Audit Commission agreed the scope of the work with the Department for Work and Pensions (DWP) and issued auditors with a Certification Instruction (CI) setting out the work required.

## Key messages

The key messages from our certification work are summarised in the table on the right and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
<b>Submission &amp; certification</b>	The return was submitted to us on time and we completed our work in accordance with the national timetables.	 Green
<b>Accuracy of claim forms submitted to the auditor</b>	We identified a large number of errors during our Housing Benefits testing and issued a qualified report. We note that similar findings were raised in our report for the 13/14 claim and that the Council is implementing procedures to address these. We appreciate the timescales involved provided limited opportunity for improvements to be made before the 14/15 claim was produced.	 Red
<b>Supporting working papers</b>	In the previous year we noted the Council's records management for Housing Benefits had created additional pressures during our work. The Council began the 13/14 year with one electronic (DIP) system, before reverting to a manual system and then introducing a new electronic filing system. Whilst the Council has continued with its new electronic filing system, the nature of on-going housing benefit claims means the impact of the previous changes continued to have some affect on the work for the 14/15 return.	 Amber

## Certification fees

The indicative certification fee for 2014/15 was set by the Audit Commission at £10,890.

This indicative fee – also referred to as the scale fee – reflected the amount of work required to certify the Housing Benefits return in 2012/13. Similarly, the fees for 2013/14 were set by the Audit Commission using 2011/12 as a base year.

The fees for certification of housing benefit subsidy claims were reduced by the Audit Commission to reflect the removal of council tax benefit from the scheme from 13/14 onwards.

Our testing of the Council's Housing Benefits return identified a large number of errors and, in accordance with the audit approach set out by the Audit Commission and the Department for Works and Pensions (DWP), a considerable amount of additional testing needed to be undertaken – with a consequent increase in the audit fees.

Public Sector Audit Appointments (the 'successor' to the Audit Commission) are required to approve all fee variations that take place.

We will discuss the additional time taken with the Council and will then submit a fee variation request to Public Sector Audit Appointments in relation to the additional work that we were required to undertake on the Housing Benefits return. We will advise the Council of the outcome of this request.

## The way forward

We identified a number of issues during our Housing Benefits testing in 2013/14 and 2014/15.

The Council has shared its responses to the issues found in 2013/14 with the Audit and Governance Committee meeting and it is important for the progress to be kept under review.

## Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

**Grant Thornton UK LLP**  
**November 2015**

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# Appendix A: Summary of Housing Benefits testing in 2014/15

Value	Amended?	Amendment (£)	Qualified?	Comments
£40m	Yes	£655	Yes	<p>We identified a number of errors during our testing and these are covered in appendix B. Our response to errors is twofold:</p> <ul style="list-style-type: none"> <li>In some areas tested, the population was small and we were able to review this in full to establish the total error. The claim is adjusted in these circumstances and the issue is not reported to the DWP.</li> <li>In other areas, the population was too large to test in full and so we extended the sample and any errors were extrapolated to give an indication of the likely total error. As this extrapolation is only an estimate, the claim is not adjusted in these circumstances but the matter is reported to the DWP.</li> </ul> <p>Whilst the net amendment shown is a reduction in subsidy of £655, this does not reflect the full value of errors identified as DWP continue to pay subsidy on overpayments, subject to specific thresholds and at differing rates dependant on the cause of the error. The total value of Housing Benefits (HB) overpaid due to the actual errors identified and amended amounted to £10,812.</p> <p>The DWP will pay full subsidy on overpayments caused by Local Authority (LA) error while the total value of LA error remains below a specified lower threshold (which is determined by reference to a percentage of benefit expenditure). Once this threshold is exceeded a percentage of subsidy relating to these overpayment errors will be clawed back by DWP and should an upper threshold be exceeded the full value of subsidy on the overpayments caused by LA errors will be withheld by DWP. Whilst on the amended return the Council's level of LA errors remains below its lower threshold, should the total value of the extrapolated errors reported in our qualification letter of £65,360 be added to this, then this would put the Council over the lower threshold and just under their upper threshold for LA errors, which would lead to a total reduction of the subsidy claimed of £123,004. Should the Council exceed the upper threshold then the loss of subsidy would be even greater.</p>

## Appendix B: Errors identified during the housing benefits testing

Area	Issues Identified
All – overall uprating parameter	The system requires certain details or parameters to be entered each year which are then applied to all relevant cases at the start of the financial year. This includes a percentage uplift that is applied to certain types of income or welfare benefits that form part of the calculation of HB. Overpayment of benefit arose on a number of cases as a result of this percentage uplift being entered incorrectly. Rather than the percentage amount being entered (e.g. 2.7%), a multiplied (e.g. 1.27) was entered, resulting in lower income amounts being applied to the calculation of HB. This was previously reported to the Audit and Governance Committee in our Audit Findings Report and Annual Audit Letter.
Rent Rebates (Tenants of Non-HRA Properties)	7 cases were identified as having been processed on the basis of the claimant having nil income, despite evidence being held that the claimant was in receipt of welfare benefit. In these instances there was no effect on the amount of HB payable, however the omission of income could lead to overpayments of HB.
Rent Rebates (Tenants of Non-HRA Properties)	An error was identified in the calculation of a claimant's weekly pension income. In this case this resulted in underpaid benefit, but due to the nature of the mistake this could equally have resulted in overpaid benefit.
Rent Rebates (Tenants of HRA Properties)	A number of errors were identified in the entry and calculation of claimants' weekly earnings income used in their housing benefit calculation. 7 of the 60 cases tested were found to contain errors on this. Similar issues were identified in our testing of the prior year's claim.
Rent Rebates (Tenants of HRA Properties).	Incorrect rate of non-dependant deductions applied to the housing benefit claims, as a result of the Council using incorrect information in assessing the non-dependant's income levels in determining which rate of deduction to apply.
Rent Rebates (Tenants of HRA Properties).	A number of errors were identified in applying the specified start date rules for changes in relevant welfare benefits used in assessing housing benefit entitlement.

## Appendix B cont'd: Errors identified during the housing benefits testing

Area	Issues Identified
Rent Allowances	Housing benefit overpaid as a result of incorrect amount entered for ineligible rent deductions.
Rent Allowances	Overpayment of housing benefits identified as a result of an incorrect tax credit amount being entered for the claimant.
Rent Allowances	A number of errors were identified in the entry and calculation of claimants' earnings income used in their housing benefit calculation.
Rent Allowances	Incorrect amounts were entered for claimants' assessed income figures resulting in errors in their housing benefits calculation.

## Appendix C: Glossary of terms

Term	Explanation
<b>Rent Rebates (tenants of non-HRA properties)</b>	Housing benefit awards that reduce the rent payable to the local authority on properties which belong or are leased by the local authority but do not form part of the council's Housing Revenue Account (HRA). Typically this will be in respect of homeless and short term accommodation.
<b>Rent Rebates (tenants of HRA properties)</b>	Housing benefit awards that reduce the rent payable to the council in respect of their properties held within the Housing Revenue Account (HRA).
<b>Rent Allowances</b>	Housing benefits payable to claimants in third-party owned accommodation.
<b>Rent Officer</b>	Rent officers are part of the Valuation Office Agency (VOA) who provides third-party valuation of fair rents due in respect of a property. The fair value may not be less than the rent actually paid, but it can never exceed it. Housing benefit guidance has specific requirements for when a Rent Officer valuation is required in assessing the benefit claim.
<b>Non dependant</b>	In broad terms, a non- dependant is someone who normally resides with a claimant on a non commercial basis. Typical examples are adult sons or daughters, other relatives and friends.
<b>Ineligible rent deductions</b>	A specified level of deduction made from the gross rent charge when assessing housing benefit in cases where a Landlord has included charges for certain services which do not qualify for housing benefit (such as water or meals) as part of the rent charge.



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