

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Finance

Author: Belinda Hayden

Tel: 01483 444867

Email: belinda.hayden@guildford.gov.uk

Lead Councillor responsible: Nigel Manning

Tel: 01252 665999

Email: nigel.manning@guildford.gov.uk

Date: 28 March 2019

Audit Report on the Certification of Financial Claims and Returns 2017-18: Housing Benefit Subsidy and Pooling Housing Capital Receipts

Executive Summary

The Council has received an audit report on the certification of financial claims and returns for 2017-18. The audit covers claims returns relating to expenditure of £36.39 million, spanning:

- Housing Benefit Subsidy worth £32.6 million
- Pooling of Housing Capital Receipts worth £3.79 million

Although it has been necessary to qualify the Subsidy claim, the auditor found a minimal number of errors. The auditor's report is very favourable towards the performance of the Benefits service, highlighting the improvements made compared to last year – with no new error types identified, and a decrease in the volume and value of errors found, and their extrapolation. They covered all the testing within the set scale fee, so there is no additional audit fee to approve.

At the time of writing, the DWP has not processed our audited claim. Based on the reduction in errors we are assuming there will be no change to our subsidy. If this changes by the time of the meeting, we will provide a verbal update. If necessary, we will also assure the DWP that we are continuing with our checking regime and looking for ways to reduce errors further.

The auditor had no issues to report that affected the total capital receipts return.

Recommendation to Committee

The committee is asked to note the position regarding the certification of claims and returns for 2017-18.

Reason for Recommendation:

To formally sign off our claims and returns for 2017-18.

1. Purpose of Report

- 1.1 The Council receives reports from its auditors Grant Thornton (GT) regarding their work to certify our financial claims and returns relating to the financial year 2017-18.
- 1.2 The GT reports relate to the qualification of our Housing Benefit Subsidy claim (Appendix 1) and the certification of the Pooling of Housing Capital Receipts.

2. Strategic Priorities

- 2.1 The audit of claims and returns support our values for our residents to deliver quality and value for money services.

3. Background

- 3.1 GT is required to certify certain claims and returns we make. The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies.
- 3.2 GT certified the Housing Benefit Subsidy claim relating to our claim of £32.6 million.
- 3.3 We also asked GT to carry out work on our Pooling of Housing Receipts return (£3.79m) in line with the Ministry of Housing, Communities and Local Government's (MHCLG) Reporting Accountants Guidance.

4. Audit Findings

Pooling Housing Capital Receipts:

- 4.1 GT identified one error, but this does not affect the claim of total capital receipts subject to pooling of just under £692,000 or the one-for-one expenditure of £2.278 million.
- 4.2 There is a new requirement to review the 'quarter' in which expenditure is occurred. During their sample testing GT identified one item which had been allocated against Quarter 2 although the invoice date was in Quarter 1. There is no specific requirement to re-open prior periods with respect to errors of this nature, and the total return is not affected. GT have found no further errors and expect to have completed their work by the end of March 2019.

Housing Benefit Subsidy:

- 4.3 GT identified a number of matters from the certification work, the details of which are contained in Appendix A of their report attached at Appendix 1. These matters resulted in the Auditor qualifying our subsidy return, but this qualification does not mean that the Council's accounts have to be re-opened having previously been signed off.
- 4.4 For 2017-18, it is pleasing to report that GT identified no new error types. In addition, they found fewer errors extrapolating to a smaller sum: four totalling £252 compared to fifteen totalling £1,800 for 2016-17.

- 4.5 In summary, because the auditors found errors, as set out in their report in Appendix 1, the Subsidy claim is qualified. At the time of writing, the DWP has not processed our audited claim. Based on the reduction in errors, we are assuming there will be no change to our subsidy. However, this decision lies with the DWP and not with GT, or ourselves. If this changes by the time of the meeting, we will provide a verbal update.
- 4.6 This is the sixth year running that we have had the subsidy claim qualified. Whilst it is good news that our claim has not changed as a result, the techniques of extrapolation used by GT following DWP guidance could easily count against us in the future, as it did in 2012-13 and 2013-14.
- 4.7 In terms of managing the risks associated with financial claw backs available to the DWP, 2017-18 witnessed severe staffing shortages. These were a result of retirements of key experienced staff, a promotion to trainee accountant, maternity leave, plus the loss of a reliable agency assessor.
- 4.8 We have experienced many difficulties with the quality of work of traditional temporary staff. We did not want to repeat these problems and chose to contract the *On Demand Assessment Service* from our software supplier Civica, due to the increased quality that they promised. The resources they use must have at least five years' experience and be personally recommended to Civica. Our account manager has been attentive to our need for quality and attention to detail, selecting resources accordingly. Senior members of the benefits team have also checked the work done.
- 4.9 In addition, we use Haines Watts to check claims throughout the year. They focus their checking on the high-risk error types identified in previous audits. This provides the opportunity for us to correct any errors within the subsidy year, identify any trends and provide additional training for assessors where necessary.
- 4.10 We recruited three new assessors during 2018-19, one of which subsequently left. Another returned from maternity leave on reduced hours. We have yet to complete the planned restructure, which aimed to provide greater resilience moving forward. As a result, the service is still not fully staffed, and we continue to use the *On Demand Service* and long-term agency staff.

5. Advice

- 5.1 Members of the Committee are advised of the following as a broad commentary of the 2017-18 Housing Benefit Subsidy claim.
- 5.2 We anticipate no adjustments to our Subsidy claim this year, despite being qualified. However, the DWP has yet to process our audited claim.
- 5.3 We continue to use an independent audit company to check claims to allow us to take action on any errors found, and thereby minimise the likelihood of auditors finding subsidy errors in future. However, qualification of Subsidy means that the auditors carry out additional testing in subsequent years. This potentially means they will find more errors, creating a virtuous circle. For the second year running, no errors were found in the initial 20 case testing, but were identified in the additional sample.

- 5.4 The overall value of the subsidy claim is £32.6 million - the amount of benefit paid to claimants on behalf of the government. From the additional sample, GT identified errors on four claims resulting in overpayments totalling £252. As there was variation in the errors found, GT could not conclude that the rest of the subsidy was correctly stated and therefore qualified it.
- 5.5 The DWP does not have a financial tolerance level. Even 5p per week is expected to be extrapolated across an entire caseload should they need us to do so.
- 5.6 The qualification of the Housing Benefit Subsidy claim does not qualify the Council's financial accounts. Officers are aware that around 70% of councils have been qualified on their subsidy claim, but this does not mean the other 30% are perfect.
- 5.7 It is the nature of the volume and complexity of the work that creates errors, although in view of our workload the percentage of errors financially is minimal. In 2017-18, the Benefits Service processed nearly 2,300 new claims for Housing Benefit and Local Council Tax Support and completed over 24,000 changes in circumstances to claims.
- 5.8 We have taken plenty of steps to improve our competency, using various training methods and education for our Benefit Assessors, but as with any large and complex system, errors are bound to creep in. Overall, they do an excellent job with high accuracy rates, an excellent customer attitude and high levels of tolerance for all of the legislative, administrative and computer changes with which they have to deal.
- 5.9 We need to address the errors we make no matter how minor, to avoid qualification of the Housing Benefit subsidy claim in future years. This will be difficult because once the claim is qualified, additional checking is carried out in future years, with the chance of further errors being identified.
- 5.10 The caseload of Housing Benefits claims has changed drastically in recent years, becoming more complex with more in work claims, and an increasing number of DWP initiatives to incorporate into the daily workload:
- During 2018-19, the team received over 1,900 Right Time Information notices, the introduction of daily Verify Earnings and Pensions alerts, plus a self-employed review – all driven by the DWP with the aim of improving accuracy and reducing error.
 - In addition, from 24 October 2018 new working age claims for help with housing rent moved to Universal Credit (UC). Whilst this reduces our caseload, our workload has increased due to the volume of notices now received regarding Universal Credit to which we must respond, plus the exceptions made by DWP to smooth the introduction of UC.
- 5.11 Whilst the calculation of claims has become more complex due to all the issues to consider, a requirement still exists for good speed of processing for new claims and changes in circumstance. Although all these factors remain challenging we remain committed to paying people their Housing Benefit quickly, dealing with their changes in circumstances promptly and making sure the right level of benefit is paid on every claim processed. As previously

advised, staffing changes did make this extremely challenging and it has taken a year to recover our position.

- 5.12 If necessary, we will provide assurance to the DWP that we are continuing with our checking regime and looking for ways to reduce errors further.

6. Equality and Diversity Implications

- 6.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from it.

7. Financial Implications

- 7.1 The financial implications arising from this report are set out in the main text.
- 7.2 The indicative fee set by Public Sector Audit Appointments Ltd 2017-18 for the Subsidy Audit is £19,993.
- 7.3 We also asked GT to carry out work on our Pooling of Housing Receipts return in line with MHCLG'S Reporting Accountants Guidance. We agreed the fee for this work at £1,500.

8. Legal Implications

- 8.1 There are no legal implications arising from this report.

9. Human Resource Implications

- 9.1 There are no HR implications arising from this report.

10. Conclusion

- 10.1 The Housing Benefit subsidy claim has been qualified for 6 years and, as a result, Grant Thornton completed additional checking in 2017-18. However, errors made are minimal when considering the considerable workload. Although at the time of writing the DWP has yet to process our claim, it is likely that, on this occasion, the errors will make no difference to the Subsidy grant that the DWP pays us. This could change in future years should identified errors result in extrapolated figures meaning we owe the DWP money. We will continue to try to eradicate the errors and remove the HB subsidy claim from qualification in future years.

11. Background Papers

None

12. Appendices

Appendix 1: GT letter and report.