

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Service Delivery

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Audit Report on the Certification of Financial Claims and Returns 2018-19: 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 2018-19. The audit covers claims returns relating to expenditure of over £34.8 million, spanning:

- Housing Benefit Subsidy worth £31.5 million
- Pooling of Housing Capital Receipts worth £3.3 million

Although it has been necessary to qualify the Subsidy claim, the auditor found a minimal number of errors, with no new error types identified and minimal extrapolation.

The DWP has settled our claim without any amendments. We have provided assurance that we are continuing with our checking regime and looking for ways to reduce errors further.

The Pooling of Housing Capital Receipts audit also had no amendments.

This report was due to be considered at the meeting scheduled for 26 March 2020, which was cancelled due to the COVID 19 lockdown.

Recommendation to Committee

The Committee is asked to note the position regarding the certification of claims and returns for 2018-19.

Reason for Recommendation:

To formally sign off our claims and returns for 2018-19.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1 The Council receives reports from its auditors Grant Thornton (GT) regarding their work to provide assurance on our financial claims and returns relating to the financial year 2018-19.
- 1.2 The GT Housing Benefit (Subsidy) Assurance Process Report is attached as Appendix 1

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 We engaged with GT to carry out the Housing Benefit (Subsidy) Assurance Process for 2018-19.
- 3.2 GT provided the S151 Officer of Guildford Borough Council and the Department for Work and Pensions (DWP) with assurance relating to our Housing Benefit Subsidy claim of £31.5 million.
- 3.3 We also asked GT to carry out work on our Pooling of Housing Receipts return.

4. Audit Findings

Housing Benefit Subsidy:

- 4.1 GT identified a number of matters from the assurance work, the details of which are contained in their report attached at **Appendix 1**. These 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.
- 4.2 For 2018-19, it is pleasing to report that once again GT identified no new error types. All errors found were in the additional testing that is carried out due to errors found in previous years. Five overpayment errors extrapolated to £5,202.12 (of which one tax credit error of £234 extrapolated to £5,130). This compares to four errors totalling £252 in 2017-18, and shows how individual errors can have a sizeable impact when extrapolated across the caseload.
- 4.3 GT additionally identified some errors with the manual process used to account for some bed and breakfast claims, which had led the original claim to be understated by £10,046. We were able to amend the claim as a result.
- 4.4 In summary, because the auditors found errors as set out in their report in **Appendix 1** the Subsidy claim is qualified. The DWP has confirmed that no

changes are required, and the claim is therefore currently closed. They requested assurances that procedures have or will be put in place to reduce the possibility of the errors as reported by the reporting accountant being repeated in future claims. We have provided these assurances.

- 4.5 This is the seventh year running that we have had the subsidy claim qualified. Set against the overall subsidy of £31.5 million the errors are low; however the techniques of extrapolation used by GT following DWP guidance could easily count against us in the future, as they did in 2012-13 and 2013-14.
- 4.6 In terms of managing the risks associated with financial claw backs available to the DWP, the team continues to face staff shortages with a number of vacant posts being covered by temporary staff and the On Demand Assessment Service from our software supplier, pending Phase B of the Future Guildford programme.
- 4.7 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.
- 4.8 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.

Pooling Housing Capital Receipts:

- 4.9 The audit did not identify any amendments.

5. Advice

- 5.1 Members of the Committee are advised of the following as a broad commentary of the 2018-19 Housing Benefit Subsidy claim.
- 5.2 The DWP is satisfied with our claim, and we have provided the assurances they requested regarding procedures that we have in place to reduce the possibility of the errors as reported by the reporting accountant being repeated in future claims.
- 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 third 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 £31.5 million - the amount of benefit paid to claimants on behalf of the government. From the additional sample, GT identified errors on five claims resulting in overpayments totalling £241.15.
- 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 2018-19 the Benefits Service processed nearly 1,850 new claims for Housing Benefit and Local Council Tax Support and amended claims over 27,350 times for changes in circumstances. Claimants often have multiple changes in circumstance at the same time (for instance the claimant reduces the hours they work, and their partner changes their job to compensate). Over 49,000 individual changes were processed in 2018-19.
- 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 they have to deal with.
- 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 additional rules linked to Universal Credit run-on (payments of benefit made to "compensate" for Universal Credit not being paid swiftly). There is also an increasing number of DWP initiatives to incorporate into the daily workload aimed at reducing fraud and error.
- 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.

- 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. Key Risks

6.1 Future Guildford Changes

Timeliness and accuracy underpin the Subsidy grant. In recent years vacancies have affected timeliness of processing, and the quality of temporary staff affected accuracy. The Future Guildford Programme should increase resilience by ensuring a bigger pool of staff are available to work on claims. However, training and retention will be key to making this work. It may be that in the short term we need to continue to use the On Demand Assessment Service to provide skilled cover during the period of upheaval that is likely to be inevitable in 2020-21.

7. Financial Implications

- 7.1 The financial implications arising from this report are set out in the main text.
- 7.2 The fee paid to Grant Thornton for the 2018-19 Subsidy Audit was £28,000.
- 7.3 The fee paid for the Pooling of Housing Receipts Return Audit was £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. Equality and Diversity Implications

- 10.1 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 this report.

11. Climate Change/Sustainability Implications

- 11.1 No relevant climate change/sustainability implications apply.

12. Conclusion

- 12.1 The Housing Benefit subsidy claim has been qualified for 7 years and, as a result, Grant Thornton completed additional checking in 2018-19. 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.

15. Background Papers

None

16. Appendices

Appendix 1: GT letter and report.