

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 11 March 2024

Report of: Assistant Director (Finance and ICT)

Subject: EXTERNAL AUDIT - CERTIFICATION REPORT

SUMMARY

This report presents the findings from the Housing Benefit Subsidy Certification work carried out by External Auditors (EY LLP) in respect of 2021/22.

The amount of subsidy claimed by Fareham Borough Council for 2021/22 was £13,590,502. At the end of assurance process detailed in the report the Reporting Accountant determined there were no exceptions or errors to report and the amount claimed was correct.

RECOMMENDATION

It is recommended that the Audit and Governance Committee: -

- a) consider the findings of the Annual Certification Report 2021/22 submitted to the Department for Works and Pensions by the Council's external auditors; and
- b) comment on the findings as appropriate.

INTRODUCTION

1. Housing Benefit is a national social security benefit administered by Local Authorities on behalf of the Department for Works and Pensions (DWP). The DWP reimburse authorities for the cost of administering Housing Benefit through a system of subsidy payments, based on the subsidy claims submitted to the DWP by the local authorities.
2. The DWP require appropriately qualified Reporting Accountants (RA) to audit the subsidy claim and issue them with a report about the financial and legal probity of each local authority's Housing Benefit Service. The current RA appointed to carry out this work for the Council is Ernst and Young LLP.
3. The RA is required to perform specific tests determined by the DWP on a defined sample basis as set out in the Housing Benefit Assurance Process reporting framework. The Council's benefits team assist with this testing.
4. Testing of cases is carried out on an initial sample of cases of benefit type across the entire caseload. More extensive testing is undertaken if the initial testing identifies errors in the calculation of benefit or because of errors that have been identified in the audit of previous years' claims.

2021/22 HOUSING BENEFIT SUBSIDY CLAIM

5. The amount of subsidy claimed by Fareham Borough Council for 2021/22 was £13,590,502. At the end of assurance process detailed above the Reporting Accountant determined there were no exceptions or errors to report and the amount claimed was correct.

REPORTING ACCOUNTANT'S OBSERVATIONS – PREVIOUS YEAR

6. It was identified in the previous claim (2020/21) that there were some incorrectly keyed service charges that had resulted in an underpayment. Given the nature of the error and the potential for overpaid benefit to arise, additional testing of Subsidy was undertaken on an additional random sample of 40 cases in the 2021/22 claim. No further cases were found, and this matter is considered as closed.

SUMMARY OF TESTING 2021/22

7. In accordance with the Housing Benefit Assurance Process, testing of an initial sample of cases was completed for all general expenditure. It should be noted that not all expenditure is fully subsidised and therefore the total expenditure in these cells will not match the amount of subsidy claimed.

A summary of the testing comments is below:

(a) Subsidy cell 094 (Rent Allowance expenditure) Value £8,237,303
Authority Unable to provide Tenancy Agreement
Testing found one claim where the LA did not hold the tenancy agreement to verify the rent, extended testing identified a further three similar cases. A document retention and destruction policy under GDPR led to a practice of deleting documents over six years old. The Authority was able to obtain current evidence to show that the eligible rent being used in the calculations was correct in respect of all cases retested. The RA has not recommended an adjustment to the claim as they are satisfied the awards are correct.
Incorrectly Calculated Occupational Pension
A claim was identified where the occupational pension used in the calculation was incorrect, resulting in an underpayment. As this type of error could result in an overpayment, the Authority conducted testing on all the remaining cases with an occupational pension. No further issues were found, and no adjustment was needed.
Incorrect eligible rent
One claim was found where the eligible rent had been incorrectly calculated. Whilst this had no impact on the benefit paid, the nature of this type of error could result in an overpayment. The Authority therefore evaluated a further 40 cases checking eligible rent. No further issues were found, and no adjustment was needed.
Incorrectly calculated service charge
One claim was found where ineligible service charges had been incorrectly stated, resulting in an underpayment of benefit. As the incorrect calculation could also result in an overpayment, the Authority conducted testing on a further 40 cases. No further issues were found, and no adjustment is needed.
Incorrect backdating date
One backdated claim was found where the start date was incorrect resulting in a technical overpayment of benefit. The Authority evaluated the remaining cases, and no further errors were found. An adjustment was made to the sub-cells within the claim form to account for this one error. These changes do not affect the headline cell, and the amount of subsidy claimed is correct.

(b) Subsidy Cell 055 (Housing Rent Account rent rebates expenditure) Value £4,961,438
Testing of claims found no issues.

(c) Subsidy cell 011 (Non-Housing Rent Account rent rebates expenditure) Value £593,919
Testing of claims found no issues.

(d) Subsidy cell 225 (Modified Schemes expenditure) Value £7108
Testing for claims found no issues.

RISK ASSESSMENT

8. The housing subsidy claim is a significant reimbursement to the Council. Any issues found by the Reporting Accounting can therefore have a financial impact on the Council. The report of the Reporting Accounting to the Council do not indicate a significant risk in relation to 2021/22.

CONCLUSION

9. Ernst and Young's full report setting out the findings of their testing has been submitted to the DWP who will use the information to settle the subsidy claim.

Background Papers:

Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2022.

Reference Papers:

DWP Housing Benefit Assurance Process Module 6 (approach and testing strategy)

Enquiries:

For further information on this report please contact Zoey Hillary. (Ext 4402)