

Certification of Grants and Returns 2019-20 – Newport City Council

Audit year: 2019-20

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Summary

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, arrange to certify claims and returns (referred to as grant claims hereafter).
- 2 For 2019-20 we certified four grant claims with a total value of £120.5 million. This is a reduction on the ten grant claims certified in 2018-19 with a total value of £146.9 million, largely due to the Welsh Government removing the requirement for certification of grants issued to Newport City Council (the Council) from 2019-20 onwards.
- 3 The Council's arrangements for the production and submission of its 2019-20 grant claims were impacted by the change in working environments caused by the COVID-19 pandemic. The Council submitted three out of four grant claims (75%) late compared with three out of ten late claims (30%) in 2018-19, as detailed in the table below:

Grant Claim	Deadline	Date Submitted to Grant Paying Body	Days Late	Date Submitted to Audit Wales	Days Late
Teachers' Pension Return	31/05/2020	01/06/2020	1	07/09/2020	99
National Non-Domestic Rates	29/05/2020	29/05/2020	N/A	30/06/2020	32
Housing Benefit Subsidy	30/04/2020	30/04/2020	N/A	12/05/2020	12
S28a Annual Voucher	30/09/2020	N/A	N/A	30/09/2020	N/A

- 4 **Our Housing Benefit Subsidy certification work has, for the third consecutive year, identified several errors and issues as outlined within our Qualification Letter to the Department for Work and Pensions (DWP).** Given the issues encountered, certification work on this grant claim was only recently finalised in April 2021.
- 5 The total audit cost of certifying all the claims was approximately £56,000, with approximately £40,000 of this cost relating to the Housing Benefit Subsidy claim. A detailed breakdown of costs is provided in paragraph 7 below.
- 6 Recommendations have been raised for the Housing Benefit Subsidy claim in the 'Recommendations' section of this report.
- 7 Our overall cost for the certification of grants and returns for 2019-20 is £55,907, compared to the estimate provided to you in our 2020 Audit Plan of £60,000. A breakdown of costs is provided below along with the estimated fee for 2020-21 (although the Council will only be charged the actual cost of certification each year):

Breakdown of cost by grant / return	2018-19	2019-20	2020-21 (Estimate)
Housing Benefit Subsidy	£39,992	£39,986	£40,000
Teachers' Pension Return	£6,961	£6,672	£6,500
National Non-Domestic Rates	£3,297	£2,376	£2,500
Section 28a Annual Voucher	£2,512	£1,320	£1,500

Breakdown of cost by grant / return	2018-19	2019-20	2020-21 (Estimate)
Grant Planning, Management and Review	£10,072	£5,553	£5,500
Total cost	£62,834	£55,907	£56,000

Certification work outcomes

- 8 Three claims were qualified in 2019-20 (six in 2018-19). A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved by adjusting the claim, or where further clarification should be provided to grant-paying bodies. In these circumstances, the relevant grant-paying body may require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.
- 9 A summary of the key outcomes from our certification work on the Council's 2019-20 grant claims is provided below, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

Key information	2018-19	2019-20
Grant claims certified	10	4
Claims qualified with no amendment	4	1
Claims qualified and amended	2	2
Claims unqualified but amended	2	1
Claims unqualified with no amendment	2	0

	Claim	Value of Claim	Certification Status	Reason for Qualification / Amendment	Other Comments
1	Housing Benefit Subsidy	£44,578,091	Qualified and Amended (2018-19: Qualified)	<p>Qualification The Housing Benefit Subsidy was qualified on the following items:</p> <ul style="list-style-type: none"> A. insufficient supporting information in relation to 'Bed & Breakfast' rates and Periods of Occupancy. Extrapolated Error amount £63,451; and B. incorrect classification of expenditure (Cells 012 and 013) resulting due to user error. Extrapolated Error amount £38,238. <p>Amendments The Housing Benefit Subsidy claim was amended for several issues, with amendments ranging from £10 to £13,625. Issues related to:</p> <ol style="list-style-type: none"> 1. meal deductions 2. fuel deductions 3. out of area LHA rates 4. number of bedrooms 5. calculation of overpayments 6. assessed income figure <p>Observations In line with DWP guidance, we also made observations on the following issues:</p>	<p>The Housing Benefit Subsidy return does not have a de-minimis reporting level. As such, matters of any value must be either amended or reported in a Qualification Letter.</p> <p>The amended claim results in a net increase of subsidy due to the Council of £3,000.</p> <p>However, our two qualifications may reduce the total subsidy due to the Council by £243,000 – more than the sum of the errors due to the way the claim is calculated. It will be for the Department for Work and Pensions (DWP) to determine what action it wishes to take following receipt of our Qualification Letter.</p>

	Claim	Value of Claim	Certification Status	Reason for Qualification / Amendment	Other Comments
				<ul style="list-style-type: none"> i. double subsidy cap; ii. tenancy types; iii. incorrect classification of expenditure (Cells 014 and 015); and iv. incorrect prior year adjustments. <p>Due to the nature of how these issues were identified, DWP guidance stipulates that amendments are not required for these items in the current year. However, additional testing will potentially be required over these areas.</p>	
2	Teachers' Pensions	£16,432,566	Qualified and Amended (2018-19: Qualified)	<p>Qualification Items raised in the Qualification Letter were:</p> <ul style="list-style-type: none"> 1. the return submitted for audit was not approved by the Responsible Finance Officer; 2. some of the entries on the return did not agree to the Council's payroll reports; 3. there were several small differences in the calculation of pension contributions in the return; and 4. five instances where teachers' contributions were deducted at a lower rate than required. 	<p>The Teachers' Pensions return does not have a de-minimis reporting threshold. As such, matters of any value identified during audit work must be reported in a Qualification Letter.</p> <p>The amended return increases the contributions payable by the Council by £2,984.</p>

	Claim	Value of Claim	Certification Status	Reason for Qualification / Amendment	Other Comments
				Amendments The claim was amended for the above qualification matters (other than item 3).	
3	Section 28a Annual Voucher	£2,094,510	Qualified (18-19 Qualified)	Qualification The s28A agreements between Aneurin Bevan University Health Board and Newport City Council have not been signed by Aneurin Bevan University Health Board. However, the form and content of the agreements were in line with previous years' agreements.	No impact on overall grant due to the Council.
4	National Non-Domestic Rates	£57,399,801	Amended (2018-19 Unqualified and no amendments)	Amendment The 'bad debts' line was amended due to formula errors in a supporting spreadsheet.	The amended return decreases the amount payable by the Council by £422,552.
	Total	£120,504,968			

Recommendations relating to the Housing Benefit Subsidy return

- 10 The certification work on the Housing Benefit Subsidy has, for the third consecutive year, identified a number of issues – many of which will need to be followed-up as part of our 2020-21 Housing Benefit Subsidy certification.
- 11 These issues and the corresponding additional work required have led to certification work going beyond the audit deadlines set by DWP and has increased audit costs. In each of the past 3 years, extensions to the deadlines were required by the Council and granted by DWP.
- 12 Recommendations have been raised for those areas which have had the most impact on the potential loss of income to the Council, on audit time, and consequently the audit fee. While these recommendations summarise the actions required at a high level, more detailed information on these issues has been provided to the Housing Benefits team to allow them to review and respond appropriately in future years.

Recommendation 1: Quality/accuracy of supporting information

Findings

Our audit of the Housing Benefit Subsidy return identified numerous issues with the supporting information provided to corroborate the details of sampled cases. In particular, we identified issues with the following areas:

- Accuracy of details from the Housing Needs team, who supply information to the separate Housing Benefits team for compilation of the return. This information relates to areas such as Bed and Breakfast invoices and rates, lengths of stay and number of bedrooms (for leased properties). Our work identified that these details (shared by the Housing Needs team via internal records or spreadsheets) often do not agree to corroborating

Recommendation 1: Quality/accuracy of supporting information

	<p>external evidence or are sometimes not readily available for the Housing Benefits team to review themselves during the year.</p> <ul style="list-style-type: none">• Confirmation of details such as the names of residents, the lengths of stay and the cost per stay for block-booked Bed and Breakfast accommodation (such accommodation is often more cost-effective for the Council to block-book up front, and it continues to do so in 2020-21). As these details were often not readily available, we were unable to determine, in many cases, the exact amount of Housing Benefit subsidy due to the Council.
Priority	High
Recommendation	<p>The Council should:</p> <ul style="list-style-type: none">• Ensure that information shared by the Housing Needs team to the separate Housing Benefits team is timely, accurate and corroborated by external evidence.• Liaise closely with block-booked Bed and Breakfast providers to ensure that all relevant details required to compile the Housing Benefit Subsidy return have been confirmed and can be corroborated with external evidence.
Benefits of implementing the recommendation	<p>Resolving these issues would likely have a significant positive impact on our audit of this return – reducing the volume and cost of our work (as fewer discrepancies would result in less audit testing overall) as well as reducing the number of amendments to the return and potential reductions in subsidy due to the Council.</p>

Recommendation 1: Quality/accuracy of supporting information

Accepted in full by management?	Yes
Management response	<p>We will work with the Housing Needs team to implement both these recommendations. We are hopeful that this can be done for the 21/22 financial year but 20/21 will prove more difficult. Numerous properties were taken on to house street homeless due to the COVID epidemic and we have been advised by Housing Needs that the required third-party evidence could prove difficult to obtain.</p> <p>We will:</p> <ul style="list-style-type: none">• discuss these recommendations further with Housing Needs with a view of formulating an action plan for 21/22 claims; and• undertake an exercise for claims paid in 20/21, prior to the audit, with a view of substantiating the financial cost of claims paid without the necessary evidence.
Implementation date	September 2021

Recommendation 2: Common errors identified during the audit

Findings	<p>Our work identified a number of common errors made by assessors within the Housing Benefit team. In particular, we identified the following:</p> <ul style="list-style-type: none">• Errors in classification between emergency/temporary accommodation costs that are reimbursed via Housing Benefit Subsidy, and those that are borne directly by the Council (costs are only reimbursed by Housing Benefit subsidy up to a set limit in each case).• Incorrect use of 'local housing allowance' rates applicable to non-self-contained accommodation claims (the allowance is based on the location of the property – different Council areas attract different rates of allowance).
Priority	High
Recommendation	The Council should ensure that its Housing Benefit assessors are informed of the errors made in recording cases, and their potential impacts on the Housing Subsidy return.
Benefits of implementing the recommendation	As for the recommendation above, reducing the frequency of these errors could significantly reduce the level and cost of audit work required each year and any impacts on the level of Housing Benefit subsidy due to the Council.
Accepted in full by management?	Yes

Recommendation 2: Common errors identified during the audit

Management response	<ul style="list-style-type: none">• Refresher training on correct subsidy classification will be provided to the appropriate staff; and• the 2020/21 subsidy claim has already been checked for incorrect LHA rates but again relevant training will be provided to the appropriate staff.
Implementation date	Immediate

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