

Certification of Claims Report

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Purpose of the report

This report introduces the annual report from our external auditors Grant Thornton on their findings from the signing off of the Housing Benefit Subsidy Claim for 2015/16.

Recommendation

The Audit Committee is asked to note the contents of the Certification of Claim Report for 2015/16.

Introduction

The Certification of Claims Report is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider the effectiveness of SSDC’s risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action has been taken”

“To consider the reports of external audit and inspection agencies and seek assurance from management that action has been taken”

Subsidy Claim

The external auditors certify the subsidy claim for the Housing Benefit Scheme. The report from Grant Thornton is attached at Appendix A. The total claim was £45,903,608 and through the audit process £274,211 is required as an amendment to the claim. This sum is due to be paid to the Department for Work and Pensions (DWP).

The areas where errors were found were:-

- Earned income.
- Self Employed income
- Savings credits
- Tax credits
- Classification of overpayments

Where errors were found and it was possible to identify and check all of the claims which may be affected by the same error all the claims were checked and the claim was amended to take into the result of the checking. However, where 100% checking was not possible due to the number of claims that needed to be checked extrapolation takes effect. Extrapolation is where a % error rate found when testing a sample of 40 claims for that error is applied to the total amount which may be affected by the error.

The errors found, where 100% checking couldn't be carried out, totalled £3,703 and the total sample value was £899,942. As we were unable to do 100% checking for the errors the % error rates were extrapolated and the overall impact on SSDC will be £274,211. An example of how extrapolation works is shown below:-

Sample	Movement / brief note of error:	Sub population total	Sample error	Sample value	Percentage error rate	Cell adjustment
		[SP]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Combined sample- 60 cases	6 errors where claims were overstated due to incorrect calculation of earned income	£11,249,534	(£160)	£176,307	0.091%	(£10,209)

So, in the example above when testing earned income 6 errors were found where benefit had been overpaid. The errors totalled £160, which is 0.091% of the total value of benefits in the sample. The error rate i.e. the 0.091% has then been extrapolated against the sub population value of £11.25 million and the resulting £10,209 is the amount the claim has to be adjusted for in respect of the error.

Whilst we owe the DWP £274,211 we already have £148,876 of this in reserves. This is because the DWP provide an incentive to Local Authorities, (LA), whereby depending on the amount of the LA overpayments on the final subsidy claim when compared to the 100% expenditure on the final claim form we receive either nil, 40% or a 100% of the LA overpayments. At the end of the 15/16 year our LA overpayments were such that we received 100% subsidy in respect of them and the sum was put into a reserve account pending the outcome of the audit.

Ideally when an error is found we would carry out a 100% check of the claims that may be affected so that the subsidy claim can be amended and the amount that is either owed to/or by the DWP is a 'true figure'. However, when considering whether to do 100% checking the number of claims and the complexity of the error needs to be taken into account along with the time that would be needed to do checking. This is because whilst doing the extra testing for a previous years subsidy claim may produce a more accurate 'end figure' the time spent doing the testing reduces the time that is available for testing, and correcting claims, within the current year before the final claim is submitted.

For the auditing of the subsidy claim all the claims tested have to be 100% accurate, there is no materiality amount that the auditors are able allow for.

Risk of error

Housing Benefit has an extensive and complex legislative framework which sits within the Social Security Benefit System.

This is highlighted within the risk assessment of the budget as:-

"There remains however some key risks inherent in the 2016/17 Revenue Budget since the budget is a financial plan based on assumptions. The current key risks will be managed by the individual officers as shown in italics below:

Housing Benefit Subsidy is administered on behalf of Central Government by SSDC and a grant reimburses for expenditure incurred. Approximately £44m in benefit is paid out and the grant

normally accounts for 100% of this, however adjustments reducing the grant are made for local authority errors. (*Assistant Director – Finance and Corporate Services*)”

Over the last couple of years there has been a shift in the make-up of the Housing Benefit Caseload as the economy has improved. There are increasing numbers of customers who have moved in to work, or become self-employed but who remain entitled to Housing Benefit support. These cases are not only more complex to administer than an unemployed claim thus increasing the risk of error, but also require many more amendments to their claim throughout the year increasing the risk still further.

Risk mitigation measures

Currently 10% + of claims are checked internally for accuracy. In order to mitigate further some of the increased risk the following actions have been agreed

- *An assessment will be carried out to check if errors are similar and therefore highlighting a training need. Training will be carried out where need is identified*
- *Process maps have been amended to add in further checks*
- *Feedback from the audit has been given at the team meeting*
- *Information received through Atlas for one off Tax Credit awards is now checked by an assessor before processing*
- *A group has been set up to improve accuracy*
- *SWAP are carrying out an audit to see if there are further improvements that can be made*

Financial Implications

A proportion of identified overpayments is being or will be recovered and any final payment will be found from the Housing Benefit Reserve which was set up for this purpose.

Background Papers

Housing Benefit Subsidy Claim.
