

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 NOVEMBER 2017

REPORT OF THE HEAD OF FINANCE AND SECTION 151 OFFICER

HOUSING BENEFIT – SAMPLE TESTING

1. Purpose of Report

- 1.1 The purpose of the report is to update the Committee on the outcome of further error testing work which has been carried out on Housing Benefit claims following the work which was carried out by the Wales Audit Office.

2. Connection to Corporate Plan / Other Corporate Priorities.

- 2.1 The administration of Housing Benefits impacts upon many low income and potentially vulnerable residents in the County Borough.

3. Background

- 3.1 The Wales Audit Office (WAO) are the council's external auditors. As part of the WAO's work to check that the council's year end accounts represent a "true and fair view", they tested a sample of 45 Housing Benefit cases. They found that the sample contained 11 cases with errors. These findings were then extrapolated, according to normal auditing practice to calculate a hypothetical error of c. £1.9 million. As explained to the Audit Committee in the previous meeting, this extrapolation is purely for the purposes of establishing whether a particular matter could materially affect the council's accounts. The WAO determined the matter was significant, but not material in respect of the council's 2016-17 financial statements.
- 3.2 In recognition of this finding, further work has been carried out by council officers to establish whether there is indeed a larger underlying issue. This is in addition to Internal Audit work scheduled to take place over the coming months and the annual Housing Benefit Subsidy audit carried out by WAO to validate the council's submission to the Department for Work & Pensions.

4. Current situation

- 4.1 The 11 errors identified in initial testing could be categorised into the different types, as shown in Table 1 below.

Table 1

Types of errors	Number of cases affected	Total financial adjustments	
		Underpayment £	Overpayment £
Income and Tax credits	6	222.30	387.85
Rent changes	3	571.00	16.46
Non-dependants	1	1,889.45	
Other (no financial impact)	1	0	0
Total:	11	2,682.75	404.31

4.2 For each of the three types resulting in financial adjustments, a further 40 cases have been checked, totalling 120 cases. The cases were independently selected by WAO, checked by a Housing Benefits Manager, and are currently being reviewed on a sample basis by the WAO.

4.3 Details of the results of further testing are summarized in Table 2 below.

Types of error checking conducted (on a 40 case sample per area)	Number of errors found	Total financial adjustments	
		U/P £	O/P £
Income and Tax Credits	2 from 40	7.51 ¹	29.06 ²
Non-dependants	0 from 40	0	0
Rent changes	1 from 40	0	0
Total:	3 from 120	7.51	29.06

4.4 The test sample of 120 cases identified 3 errors, of which two required financial adjustments. These were

1: an underpayment where the disregard of 50% (£0.71 weekly) of the contribution to works/occupational pension had been incorrectly calculated. This resulted in an underpayment of £7.51 in total from 4 April 2016 to 19 March 2017.

2: an overpayment of £29.06 for a one off period from 8-21 August 2016, where earnings has wrongly been applied from the pay date and not for the pay period.

For reference, the service estimates the average level of Housing Benefit administered by the service is typically around £80/week, therefore it can be assumed that the approximate value of the 120 cases may be around £500,000. The overpayment has been determined as local authority error and will not be recovered, and instead it will be written off. In the case of the underpayment this amount has now been paid following correction of the claim.

The WAO are required to perform further testing on the sample of 120 cases. This will involve checking a 10% sample of each of the case types (12 in total) in addition to the three errors identified. This work is in progress and a verbal update will be given during the meeting.

- 4.5 Following on from the checking of total Local Housing Allowance expenditure, further testing has also been carried out by WAO on expenditure for non-Housing Revenue Account rent rebates. This audit work was necessary as part of the WAO's routine testing of the council's annual housing benefit claim. This area of Housing Benefit expenditure covers costs for temporary accommodation, hostels and bed & breakfast accommodation.

Follow a number of errors identified initially, every single bed & breakfast assessment, totalling 68 cases, have been checked. An identical error was detected in all cases. Ineligible fuel costs had been overstated by £1.93 per week, leading to an underpayment.

Each case has been corrected and underpayments ranged from £0.28 to £25.09, and there is one overpayment of £61.20. The total error across the caseload was £347.28 out of total expenditure of circa £37,000. All the cases have been corrected and the payments made good. This error was attributable a historic differential between bed & breakfast rates and statutory deductions which has changed over time and will be now be addressed as part of the annual check, preventing this in future.

One further error was identified by the WAO in this sample which does affect the subsidy claim to DWP by £0.72.

It is important to note that this element of Housing Benefit is paid to the housing department of the council, and therefore, the values reflected above had not impacted either upon individuals in temporary accommodation and the total impact on the council's subsidy claim from the Department of Work & Pensions is £61.20.

- 4.6 Further testing has been carried out on 20 cases not linked to bed & breakfast cases. One error was found relating to the calculation of a monthly average for occupational pension income. This was found to be a typing error and resulted in an underpayment of £0.10.

The WAO asked for further testing for cases of this type with occupational pension income. Most cases within this category were recipients in receipt of "pass-ported" benefits like Income Support, Jobseekers Allowance (income-based), Employment & Support Allowance (income-related) or Pension Credit (guarantee-credit). The Benefits Team Manager carried out a 100% check on all the cases in Cell 11 and found no further errors in any other cases of pension age or any in receipt of an occupational pension income. This will also be subject to WAO review.

- 4.7 The WAO have also commenced the required testing on "Modified schemes" (typically war pensions). This work is ongoing and a verbal update will be provided during the meeting.

5. Effect upon Policy Framework & Procedure Rules

- 5.1 None

6. Financial Implications

6.1 These are reflected in the body of the report.

7. Equality Impact Assessment

7.1 There are no equality implications.

8. Recommendation

8.1 The Committee is recommended to note the report.

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Background documents

None