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Dear Marc

Isle of Anglesey County Council - Housing benefit subsidy

With the recent certification of the council's 2018-19 Housing benefit subsidy claim and it being two years since Audit Wales assumed responsibility for the audit of the subsidy claims, I thought it was timely to write to provide you with our perspective on the current position.

As you are aware the Council is required to submit an annual subsidy claim by the end of April for the previous financial year to the Department for Work and Pensions (DWP). The claim is subject to audit typically by 30 November of that year. The claim seeks reimbursement of costs incurred by the Council in paying housing benefit to support residents on low incomes, who rent council or privately owned accommodation. Councils typically receive 100% subsidy for correctly paid housing benefit, though the subsidy rate for reimbursement of benefit incorrectly paid is reduced. If the total benefit overpayments due to errors made by the Council exceed permitted thresholds, the Council will not be reimbursed by DWP and will have to fund those costs.

At Anglesey council the audited subsidy claim has been submitted to the DWP significantly later than the prescribed deadline for a number of years. Audit work undertaken by both Audit Wales (and previously Deloitte) has identified a number of errors in the claim compilation and in the processing of underlying housing benefit cases. Whilst they await the audited claim the DWP have withheld significant final

payments which has a financial consequence to the Council. The additional work required to be performed by auditors means that the audit fees charged to the Council are much higher than would be seen in most other councils.

The table below shows the date the Council's last five subsidy claims have been certified, highlighting that limited progress has been made to get the audit up to date and on the same timeline as all other Council's in Wales.

Subsidy Claim	Certification Deadline	Date Certified
2016-17 ¹	30 November 2017	29 November 2019
2017-18	30 November 2018	11 February 2021
2018-19	30 November 2019	15 November 2021
2019-20	31 January 2021 ²	Not yet certified
2020-21	28 February 2022 ²	Not yet certified

¹ The audit of the 2016-17 subsidy claim was undertaken by Deloitte.

² The certification deadline was extended by the DWP in recognition of the impact of Covid-19.

Within this letter I have taken the opportunity to:

- Reflect on the audit of the 2018-19 subsidy claim.
- Confirm the current position of the audits of the 2019-20 and 2020-21 subsidy claims.
- Consider the impact of delayed certification and claim processing errors.
- Recommend actions to be taken by the council to improve the quality of the subsidy claim and to clear the certification backlog.

You will be familiar with much of the content of this letter, having previously discussed with us our concerns around the Council's capacity to respond to auditor queries and complete extended testing.

You have also received the 2017-18 and 2018-19 covering letters and amendments schedules reported to the DWP, that detail the subsidy adjustments required because of claim processing errors identified during the audits. These letters provide insight into the nature of errors identified and should enable the Council to take appropriate action to address any identified areas of weakness to prevent reoccurrence on future subsidy claims.

Certified 2018-19 Subsidy claim

The 2018-19 subsidy claim was certified in November 2021, with the audit taking place over a protracted period due to the volume of errors, delays in responding to auditor queries and additional audit testing. Due to the value of Local Authority (LA) error overpayments identified during the audit, subsidy penalties were incurred and the amount due from the DWP to the Council was initially reduced by £56,154.

Additional work undertaken at the request of the DWP resulted in a further subsidy loss of £58,738, as the total value of LA error overpayments exceeded the maximum threshold for full or reduced subsidy entitlement.

The total loss to the Council due to processing errors attributed to 'Local Authority Error' for 2018-19 was therefore £114,892.

2019-20 and 2020-21 Subsidy claims

We remain some way off being able to report our findings from the 2019-20 audit and to certify the claim. We have encountered significant delays in receiving responses to our queries, with many responses remaining outstanding, including some to requests that we originally made in 2020.

Whilst we have undertaken audit work on the 2020-21 claim, we haven't yet raised any queries with your team in order that they may focus on responding to queries and undertake additional testing required in respect of the 2019-20 claim.

There is still a considerable amount of work to be completed on the 2020-21 claim.

Impact of delayed certification and processing errors

Delayed certification and numerous processing errors has several consequences:

- Subsidy claims that are not certified on a timely basis can result in the DWP penalising the Council by withholding a proportion of the subsidy payments due to the Council. This has a direct impact on the Council's finances and can be damaging to both cash flow and reputation.
- Delayed certification increases the time between error identification and the impact of any remedial measures taken to correct errors from being reflected in future subsidy claims – in April 2022 the Council will submit its' 2021-22 subsidy claim without having had the opportunity to address issues identified on the 2019-20 and 2020-21 subsidy claims. This increases the likelihood of repeated errors on future claims.
- The subsidy approach acknowledges that some errors will exist in the system and makes allowance for this. As happened with the 2018-19 claim, once the value of errors exceeds a specific percentage of the Council's overall benefit expenditure, penalties are incurred, and subsidy reduced at a direct cost to the Council and local taxpayers.
- When errors are identified, this usually requires additional testing to be undertaken by the Council with review and reperformance testing completed by auditors. Additional testing must also be completed in respect of any error on the following year's subsidy claim, which can be time consuming. If action isn't taken in response to identified errors, there is an increased likelihood of the same error being repeated in future years, resulting in additional work and potentially incurring preventable subsidy loss. From the work we have

undertaken on the Council's subsidy claims over the past two years, we are currently not assured that an effective process to reduce and eliminate errors from current and future housing benefit claims is in place.

- Auditing subsidy claims over a protracted period is inefficient. Delays in adequately responding to information requests often results in the auditor having to re-familiarise themselves with old work, create unnecessary duplication and potentially result in a different auditor having to complete the work. This will increase the audit fee charged to the Council for delivery of the audit. The Council is currently incurring audit fees more than those typically charged to audited bodies for housing benefit audit work.

Action being taken by Management to enable the timely completion of subsidy audit work in accordance with the Department for Work and Pensions certification deadline

The 2021-22 subsidy claim is due for submission at the end of April 2022. In our view unless key changes are made to improve the accuracy of claim processing and measures implemented to effectively manage the demands of the subsidy audit, the Council will continue to be at risk of significant losses of subsidy and reputational damage of claims submitted late.

In Appendix 1, I have made recommendations designed to improve the current situation.

I would be grateful if you could arrange for this letter be tabled as an agenda item for consideration at the next meeting of the Governance and Audit Committee, together with the management response to the recommendations.

Yours sincerely



Derwyn Owen

Engagement Director

R1. The Council needs to address long standing capacity issues to enable subsidy claims to be audited and certified within the agreed timetable.

Findings	<p>The Council lacks both capacity and detailed understanding of the housing benefit subsidy claim to enable the service to respond to audit queries effectively and efficiently.</p> <p>There is currently only one officer in the Council who has detailed knowledge of subsidy. This officer also has other responsibilities which result in them often being unable to respond to audit queries in a reasonable timescale due to competing demands on their time.</p> <p>In addition, the Council does not currently have the capacity to respond effectively to issues identified during the audit, to undertake further analysis of the benefit caseload to remedy errors, or to deliver staff training and awareness to deliver improvements. This increases the likelihood of recurring errors, additional work being required by both the Council and the audit team and as happened with the 2018-19 claim, significant loss of subsidy.</p>
Priority	High
Recommendations	<ul style="list-style-type: none"> • The Council should increase capacity and awareness of the housing benefit subsidy claim and audit process. • The Council should set out a clear, achievable plan of action to clear the backlog of subsidy audits and audit queries.
Benefits of implementing the recommendations	<ul style="list-style-type: none"> • Reduced reliance on a single individual and a spread of knowledge, awareness, and skills across the service. • Additional capacity and subsidy awareness will enable the Council to respond to audit queries in a reasonable timescale and complete audits within the DWP's certification timetable. • Timely completion of audits reduces the risk of the DWP withholding benefit subsidy from the Council due to delayed audit certification of the subsidy claim.

R1. The Council needs to address long standing capacity issues to enable subsidy claims to be audited and certified within the agreed timetable.

Accepted in full by management	Yes – if and when the resources are available
Management response	<p>The responsibility for completing the subsidy claim rests in the main with one officer, for which the subsidy is one of a number of important duties the officer undertakes and at some points in the year, the other duties must take priority.</p> <p>We have previously employed agency staff to supplement the permanent staff to assist in the completion of the subsidy claim and to assist with the audit. Unfortunately, despite numerous attempts, we have been unsuccessful in recruiting someone with the necessary skills and experience.</p> <p>The Benefits Manager has recently returned from a period of secondment with Welsh Government and this will add to the capacity within the Team.</p> <p>We are working with Audit Wales to agree an achievable timetable for completing the outstanding audits with the aim of completing the 19/20 and 20/21 audit by the Autumn. This will then put the Council to be in a position to complete the 21/22 audit by early 2023 and return the Council to the expected timetable for the 22/23 audit i.e. completion by November 2023.</p>
Implementation date	Commencement in June 22 with completion of all outstanding claims plus the claims for 21/22 and 22/23 by November 2023

R2. Control measures should be introduced to correct identified errors and embed a culture of learning and development to improve accuracy of processing.

<p>Findings</p>	<p>The nature of the subsidy audit approach (as set out by the DWP), requires that any errors identified are reviewed and tested in further detail in both the year of audit and again the following year.</p> <p>Findings from our subsidy audit work at the council indicate that the root cause of errors is not being addressed, with errors of the same or similar nature often repeated from one year to the next.</p> <p>Extended testing on errors often identifies multiple further errors of the same nature, indicating that similar errors are widespread across the benefit caseload.</p> <p>Quality control processes are not currently effective and do not identify and correct claim processing errors.</p> <p>It appears to us that the Benefits system is subject to an excessive amount of downtime during working hours to facilitate system upgrades. On these occasions no claim processing is possible, and the Council are unable to respond effectively to any queries that claimants and landlords may have.</p>
<p>Priority</p>	<p>High</p>
<p>Recommendations</p>	<ul style="list-style-type: none"> • The Council implements a process to respond appropriately to any errors identified during the subsidy audit, or otherwise, to ensure future errors are minimised. • The Council reviews specific claim types, including, but not limited to the following, to satisfy themselves that claims are being processed accurately and with correct subsidy classification: <ul style="list-style-type: none"> – Non HRA cases – Student cases – Modified schemes – Tax credit cases – A general review to ensure sufficient documentary evidence has been received. • The Council ensures that staff are made aware of errors and any learning and development needs identified are promptly addressed. The Council should also consider

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	<p>whether there are any specific themes or patterns in the errors that are being made.</p> <ul style="list-style-type: none"> • An effective, quality control process should be implemented to identify and correct errors. • System upgrades should be kept up to date and applied where possible out of office hours to minimise disruption to customers, and staff responsible for processing claims.
Benefits of implementing the recommendations	<ul style="list-style-type: none"> • Reduce the risk of subsidy loss to the Council by minimising errors. • Fewer errors will require less additional testing and the likelihood of a more efficient audit and lower audit fee. • Improved level of service to customers who are often vulnerable and should receive the correct award of housing benefit. • Providing appropriate training (formal or informal) should ensure that staff skills, knowledge and awareness are up to date and fewer mistakes are made. • The Council will proactively identify and address quality and accuracy issues earlier. • Minimising system downtime will help reduce the pressure on staff processing claims that can, in turn, lead to errors.
Accepted in full by management	Yes
Management response	<p>The delay in completing the audits, results in delays in identifying errors and as a result errors can continue for a number of years. With this in mind there is a planned restructure of the Revenues and Benefits Team with an increase in the resources in the Performance Team. These increased resources will be directed towards increasing quality assurance work during the year. The quality assurance programme will address bullet points 1 to 4 in the recommendation above.</p>

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	<p>The Benefits Manager has returned from a period of secondment and we will continue with the temporary arrangements which will allow the Benefits Manager to address the Auditors recommendations and to improve systems of quality control and staff training by concentrating on the specific errors that have arisen from the audits, but also to feed in issues identified by the quality assurance work into a more comprehensive training programme for staff.</p> <p>The software agreement will shortly be moving to a software as a service agreement, where the software will be run in the Cloud and not on a dedicated Council server. As a result upgrades will be run by the software company and not the Council and this will ensure that upgrades are implemented out of hours and it will also free up a key member of staff to undertake other work, rather than implementing and testing upgrades.</p>
Implementation date	<p>Already commenced but completion is linked to the findings of the outstanding and future audits until the situation returns to the expected timetable and the completion of the proposed restructure.</p> <p>Aim to have a comprehensive training programme in place by April 2023.</p> <p>Software as a system change will take place on 25 September 2022</p>