

## Grants and Returns Certification Update – Newport City Council

Audit year: 2020-21 to 2022-23

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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 Since 2020-21, at Newport City Council we are required to certify four grant claims relating to:
  - Housing Benefit Subsidy;
  - National Non-Domestic Rates;
  - Teachers' Pensions; and
  - NHS Money Transfers (known as 'S28a Vouchers').
- 3 The total cumulative value of these returns was £119.8 million in 2022-23 (£123.6 million in 2021-22, and £119.9 million in 2020-21).
- 4 Every year, we produce a report to the Governance and Audit Committee (G&AC) summarising our work, any significant findings arising, and the cost of delivery. The cost of this work can vary depending on the quality of working papers provided, the skill mix required and any issues arising from the audit.
- 5 The last such report was presented to the G&AC following our certification of 2019-20 grant claims. However, we have not been able to produce another complete annual report since that year as we have been unable to certify all grant claims within a defined time period. This is primarily due to:
  - our ability to resource this work, given other demands arising in our accounts audit work across Wales, and ongoing difficulties in the recruitment and retention of staff; and
  - ongoing issues around the Council's Housing Benefit Subsidy returns, which have led to significant delays in certification since 2019-20, as summarised in paragraph 16 (for example, the 2021-22 return was certified in February 2024).
- 6 While we hoped to bring this work (and our G&AC reports) forward over time we have not yet been able to do so, as we have had to prioritise other accounts audit work.
- 7 This report therefore details the findings of our audit work and resultant audit costs for each of the Council's grant claims between 2020-21 and 2022-23, and the recommendations arising from our audit of the Council's housing benefit subsidy returns over the period.

# Findings of our work

8 Our findings on the Council's grant claims from 2020-21 to 2022-23 are summarised in the below table.

## Findings on the Council's grant claims from 2020-21 to 2022-23

Grant/Return	2020-21	2021-22	2022-23
Housing Benefit Subsidy	<b>Amended and qualified</b> Multiple errors identified leading to significant additional testing. However, our audit led to an increase in subsidy receivable of £298,000.	<b>Amended and qualified</b> Multiple errors identified leading to significant additional testing. Our audit led to a decrease in subsidy receivable of £5,000.	<b>Audit work ongoing</b> Given the issues set out in paragraph 5 (nature and volume of errors and Audit Wales's resourcing issues) our certification has been delayed.
Teachers' Pensions	<b>Qualified (not amended)</b> Numerous calculation errors identified but total error below £2,000.	<b>Qualified (not amended)</b> Some contribution rounding errors identified, but total error below £11.	<b>Clean certificate</b> No issues arising.
National Non-Domestic Rates	<b>Qualified (not amended)</b> Only issue – limited inspection of empty properties due to COVID-19.	<b>Clean certificate</b> No issues arising.	<b>Clean certificate</b> No issues arising.
Section 28a Annual Voucher	<b>Clean certificate</b> No issues arising.	<b>Clean certificate</b> No issues arising.	<b>Clean certificate</b> No issues arising.

# Costs of certification

- 9 The costs of certifying the Council's grant claims are provided below along with estimated 2023-24 costs of delivery.
- 10 As can be seen in the table, the Council's Housing Benefit Subsidy return incurs the largest fee. This is due to the inherent detail and complexity of the work, but also the ongoing issues identified in this return over a number of years. Refer to the following section for further details of these issues.
- 11 While the costs of certifying returns vary each year, and between councils, the cost of delivery to the Council is consistently above average when compared to the rest of the Welsh Local Government sector.

## Breakdown of cost by grant/returns

Breakdown of cost by grant/returns	2020-21	2021-22	2022-23	2023-24 <sup>1</sup>
Housing Benefit Subsidy	£44,429	£40,153	£16,308 <sup>2</sup>	£35,000
Other grant claims (National Non-Domestic Rates, Teachers' Pensions, NHS Money Transfers)	£15,623	£22,735	£11,283	£15,000
<b>Total cost of delivery</b>	<b>£60,052</b>	<b>£62,888</b>	<b>£27,591</b>	<b>£50,000</b>

<sup>1</sup> 2023-24 costs are estimated at this stage – actual cost of delivery may vary.

<sup>2</sup> The 2022-23 Housing Benefit Subsidy return has not yet been certified – work is ongoing.

# Recommendations relating to the Housing Benefit Subsidy return

- 12 Our certification work on the Housing Benefit Subsidy return has identified various issues and errors over many years. Since 2020-21, identification and correction of these errors through the audit process have led to a net gain in subsidy receivable by the Council of nearly £300,000 (as confirmed in the table in **paragraph 8**).
- 13 However, for each error identified within this return, the Department for Work and Pensions (DWP) requires detailed follow-up audit work to be performed in that year, and the following year. With multiple issues being identified over many years, this has led to significant additional audit work and therefore cost to the Council over time, which partly offsets the net gain in Housing Benefit subsidy.
- 14 For many years, significant extensions to certification deadlines have been required by the Council and granted by DWP.
- 15 We have previously raised recommendations for those areas which have had the most impact on audit time, and consequently the audit fee. While the number and range of these issues are extensive, at a high-level the issues relate to the following principal categories:
  - **Accuracy of underlying evidence behind certain areas of the Housing Benefit Subsidy return.** This can include details such as Bed and Breakfast nightly rates, rental amounts for other shared accommodation, lengths of stay, names of residents, and numbers of bedrooms in properties. Such information is collated by the Housing Needs team and used to collate the Housing Benefit Subsidy return, but our testing often identifies discrepancies between Council records and third-party evidence.
  - **Errors in classification or calculation of certain costs or activities.** For example, we often identify errors in determining whether expenditure is eligible for Housing Benefit Subsidy, whether the correct Local Housing Allowance rate has been used or whether an overpayment of subsidy has been correctly classified according to DWP rules. We have also recently identified errors relating to identification of Tax Credits or other assessed income which can affect subsidy receivable.
- 16 We continue to work with the Council to resolve the above issues and have shared our detailed findings with Council staff and the DWP (as part of our annual Auditors Reports which we must send to them each year). However, while these issues remain unresolved, they will continue to have an impact on the cost and timeliness of our certification work on this return.

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 **Archwilio Cymru**  
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