



LONDON BOROUGH OF HARINGEY

GRANT CLAIMS AND RETURNS CERTIFICATION

In respect of claims and returns for the year ended 31 March 2016

16 January 2017



INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of the appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council continues to engage Grant Thornton, your previous auditor, to undertake a 'reasonable assurance' review of other certification work. This report does not include the findings of this other certification work.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

Fees

We reported our original fee proposals in our Audit Plan. We have not had to amend our planned fees.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
PSAA regime		
Housing benefits subsidy claim	33,190	33,190
Total fees	33,190	33,190

KEY FINDINGS

Below are details of the housing benefit subsidy return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at the Appendix of this report.

CLAIM OR RETURN	VALUE	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS
Housing benefit subsidy	£269,761,065	YES	YES	£610 increase in subsidy to the Council However, our qualification may reduce amount claimed by £1.5 million

HOUSING BENEFIT SUBSIDY	FINDINGS AND IMPACT ON RETURN
<p>Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted on form MPF720A, which is subject to certification.</p> <p>Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.</p> <p>The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.</p> <p>The draft subsidy return provided for audit recorded amounts claimed as subsidy of £269,761,065. The final submission was increased by £610 to £269,761,675.</p>	<p>Our audit of an initial 60 individual claimant files across different benefit types highlighted a significant number of errors in administering benefit, calculating subsidy entitlement or in the preparation of the form.</p> <p>Where an error in calculations suggests that benefit has been overpaid or amounts allocated to too high a subsidy recovery cell, guidance requires auditors to undertake extended 40+ testing of cases with similar characteristics or all cases in a small population. Such testing is also undertaken as part of our follow-up of prior year issues reported. The testing results in a correction of the error where this can be isolated or an extrapolation across the population.</p> <p>Where there is no impact on subsidy claimed, for example where the error always results in an underpayment of benefit, we are also required to report this within our qualification and observations letter.</p> <p>The results of the previous year audit and errors found in the initial testing resulted in 20 areas of 40+ testing, 1 area of additional testing, and 1 amendment to the claim form that increased subsidy claimed by £610.</p> <p>PSAA's methodology requires auditors to reperform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. We were able to rely on the conclusions drawn by the Council.</p> <p>Our work was completed and the claim was certified on 22 December, after the Government's deadline of 30 November. Our audit certification was qualified and we quantified the potential effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations) in a letter to the Department of Work and Pensions.</p> <p>The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year. This may reduce the amount claimable by the Council by up to £1.5 million.</p> <p>Significant improvements are required in the benefit assessments process to reduce the number of overpayments arising from local authority errors and administrative delays.</p> <p>A summary of our audit findings can be found on the following pages.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
Non-HRA rent rebate	Incorrect self-employed income figure	<p>Additional testing identified ten cases where an incorrect amount of self-employed income had been applied. Seven cases resulted in underpaid benefit (total error of £2,318) and two cases in overpayment of benefit (total error £325).</p> <p>In addition, three cases had errors that impact on the amount of overpaid benefit in the current year (total value £850) and four cases had errors that impact on prior year overpayments (total error £1,582).</p> <p>The overall impact of extrapolating these errors over the sub-population of self employed income cases is a reduction in overpayments of £3,760 in the current year and an increase of £15,039 in prior years.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £3,768.</p>
Non-HRA rent rebate	Incorrect earned income figure	<p>Initial testing identified four cases that had the incorrect earned income figure applied to the claimant's benefit calculation that created an overpayment of benefit awarded (total error £189).</p> <p>Additional testing identified a further fourteen cases where an incorrect amount of income had been applied. Five cases resulted in underpaid benefit (total error of £1,540) and seven cases in overpayment of benefit (total error £1,675).</p> <p>In addition, six cases had errors that impact on the amount of overpaid benefit in the current year (total value £339) and four cases had errors that impact on prior year overpayments (total value £371).</p> <p>The overall impact of extrapolating these errors over the sub-population of earned income cases is an increase in overpayments of £49,741 in the current year and £11,606 in prior years.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £42,476.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
Non-HRA rent rebate	Incorrect child tax credit figure	<p>Initial testing identified one case where the incorrect child tax credit figure had been applied to the claimant's benefit calculation that created both an underpayment (total underpayment £23) and overpayment of benefit awarded (total overpayment £25).</p> <p>Additional testing identified a further eight cases where an incorrect amount of child tax credit had been applied. Four cases resulted in no change or underpaid benefit (total error of £186) and four cases in overpayment of benefit (total overpayment £204).</p> <p>In addition, four cases had errors that impact on the amount of overpaid benefit in the current year (total value £7) and the prior year (total value £2,122).</p> <p>The overall impact of extrapolating these errors over the sub-population of child tax credit cases is an increase in the overpayments of benefit paid of £8,280 in the current year and a decrease in overpayments of benefit paid in prior years of £82,803.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £41,058.</p>
Non-HRA rent rebate	Incorrect working tax credit figure	<p>Initial testing identified one case where the incorrect working tax credit figure had been applied to the claimant's benefit calculation that created both an underpayment (total underpayment £82) and overpayment of benefit awarded (total overpayment £86).</p> <p>Additional testing identified a further three cases where an incorrect amount of working tax credit had been applied. Two cases resulted in underpaid benefit (total error of £107) and one case had errors that resulted in an overpayment of benefit (total error £1).</p> <p>The overall impact of extrapolating these errors over the sub-population of working tax credit cases is an increase in the overpayments of benefit paid of £3,407.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £2,044.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
Non-HRA rent rebate	Incorrect child care costs figure	<p>Initial testing identified one case where the incorrect child care costs figure had been applied to the claimant's benefit calculation resulting in an overstatement of a prior year overpayment (total value £40).</p> <p>Additional testing identified a further seven cases where an incorrect amount of child care costs had been applied. Five cases resulted in no change or underpaid benefit (total error of £1,373) and two cases in overpayment of benefit (total error £539).</p> <p>In addition, four cases were identified where the claimant's child care costs were misstated, resulting in an overstatement of current year overpayments (total value £974), and four cases in the prior year (total value £1,150).</p> <p>The overall impact of extrapolating these errors over the sub-population of child care cost cases is an increase in overpayments of £2,032 in the current year and £6,117 in prior years.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £1,137.</p>
Non-HRA rent rebate	Incorrect classification of eligible overpayments	<p>Additional testing identified seven cases where an incorrect classification of overpayment as an eligible overpayment had been applied (total error of £495). In five cases overpayments eligible for subsidy were found to be overstated and LA error overpayments correspondingly understated (total error of £390) and in two cases overpayments eligible for subsidy were found to be overstated and technical overpayments correspondingly understated (total error of £105).</p> <p>The overall impact of extrapolating these errors over the sub-population of eligible overpayment cases is an increase in the amount of LA error overpayments of £16,936 and technical overpayments of £4,414, with a corresponding decrease in eligible overpayments of £20,810.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £8,324.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
HRA rent rebate	Incorrect self-employed income figure	<p>Additional testing identified eight cases where an incorrect amount of self-employed income had been applied. Seven cases resulted in no change to or underpaid benefit (total error of £181) and one case in an overstatement of overpayments (total value £3).</p> <p>The overall impact of extrapolating these errors over the sub-population of self-employed income cases is an increase in the amount of benefit paid on which subsidy is to be claimed of £52.</p> <p>At the applicable subsidy rates, this potentially increases subsidy claimable by £52.</p>
HRA rent rebate	Incorrect earned income figure	<p>Initial testing identified two cases where the incorrect earned income figure had been applied to the claimant's benefit calculation that created an overpayment of benefit awarded (total error £122).</p> <p>Additional testing identified a further twelve cases where an incorrect amount of income had been applied. Four cases resulted in underpaid benefit (total error of £489) and eight cases in overpayment of benefit (total error £2,262).</p> <p>In addition, three cases had errors that impact on the amount of overpaid benefit in the current year (total value £489) and the prior year (total value £137).</p> <p>The overall impact of extrapolating these errors over the sub-population of earned income cases is an increase in the overpayments of benefit paid of £137,124 in the current year and a decrease of overpayments in prior years of £9,973.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £89,706.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
HRA rent rebate	Incorrect child tax credit figure	<p>Additional testing identified three cases where an incorrect amount of child tax credit had been applied. One case resulted in underpaid benefit (total error of £72) and two cases in overpayment of benefit (total error £274).</p> <p>In addition, three cases had errors that impact on the amount of overpaid benefit in the current year (total value £72).</p> <p>The overall impact of extrapolating these errors over the sub-population of child tax credit cases is an increase in the overpayments of benefit paid of £12,526.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £14,262.</p>
HRA rent rebate	Incorrect child care costs figure	<p>Additional testing identified sixteen cases where an incorrect amount of child tax credit had been applied. Seven cases resulted in underpaid benefit (total error of £2,300) and nine cases in overpayment of benefit (total error £2,238).</p> <p>In addition, four cases had errors that impact on the amount of overpaid benefit in the current year (total value £49) and three cases in the prior year (total value £242).</p> <p>The overall impact of extrapolating these errors over the sub-population of child care costs cases is an increase in the overpayments of benefit paid of £13,600 in the current year and a decrease of overpayments in prior years of £1,046.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £11,200.</p>
HRA rent rebate	Incorrect non-dependents earnings figure	<p>Additional testing identified one case where an incorrect amount of non-dependents earnings had been applied resulting in an overpayment of benefit (total error £399).</p> <p>In addition, one case was identified where the claimant's non-dependents earnings figure was misstated resulting in an overstatement of prior year overpayments (total value £2,288).</p> <p>The overall impact of extrapolating these errors over the sub-population of non-dependent earnings cases is an increase in the overpayments of benefit paid of £11,585 and a decrease of overpayments in prior years of £69,510.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £39,389.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
HRA rent rebate	Incorrect state retirement pension figure	<p>Additional testing identified twelve cases where an incorrect amount of state retirement pension had been applied. Eight cases resulted in underpaid or no impact on benefit (total error of £670) and four cases had errors that resulted in an overpayment of benefit (total error £139).</p> <p>In addition, three cases had errors that impact on the amount of overpaid benefit in the prior year (total value £2,921).</p> <p>The overall impact of extrapolating these errors over the sub-population of state retirement pension cases is an increase in the overpayments of benefit paid of £2,990 and an increase of overpayments in prior years of £64,295.</p> <p>At the applicable subsidy rates, this potentially increases subsidy claimable by £22,429.</p>
HRA rent rebate	Incorrect classification of eligible overpayments	<p>Our initial testing identified one case where there was a misclassification of the overpayment (total error £463).</p> <p>Additional testing identified six cases where an incorrect classification of overpayment as an eligible overpayment had been applied (total error of £3,229). In five cases, eligible overpayments were found to be overstated and LA error overpayments correspondingly understated (total error of £3,181) and in one case eligible error overpayments was found to be overstated with correspondingly understated of subsidy claimed (total error of £48).</p> <p>The overall impact of extrapolating these errors over the sub-population of eligible overpayment cases is an increase in the amount of LA error overpayments of £144,820 and an increase in benefit correctly paid of £1,908.</p> <p>At the applicable subsidy rates, this potentially reduces subsidy claimable by £58,691.</p>
Rent Allowances	Incorrect self-employed income figure	<p>Additional testing identified ten cases where an incorrect amount of income had been applied. Eight cases resulted in underpaid benefit (total error of £5,217) and two cases in overpayment of benefit (total error £211).</p> <p>In addition, three cases had errors that impact on the amount of overpaid benefit in the current year (total value £328).</p> <p>The overall impact of extrapolating these errors over the sub-population of self-employed income cases is a decrease in the amount of LA error overpayments of £21,255, an increase in the amount of eligible error overpayments of £13,410 and an increase benefit correctly paid of £7,845.</p> <p>At the applicable subsidy rates, this potentially increases subsidy claimable by £13,211.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
Rent Allowances	Incorrect earned income figure	<p>Initial testing identified two cases where the incorrect earned income figure had been applied to the claimant's benefit calculation that created an overpayment of benefit awarded (total error £948).</p> <p>Additional testing identified a further fourteen cases where an incorrect amount of income had been applied. Nine cases resulted in underpaid benefit (total error of £4,338) and five cases in overpayment of benefit (total error £388).</p> <p>In addition, five cases had errors that impact on the amount of overpaid benefit in the current year (total value £459) and three cases in the prior year (total value £1,101).</p> <p>The overall impact of extrapolating these errors over the sub-population of earned income cases is an increase in the amount of LA error overpayments of £104,850, an increase in the amount of eligible overpayments of £113,049, a decrease in benefit correctly paid in the current year of £217,899, and an increase of overpayments in prior years of £217,899.</p> <p>At the applicable subsidy rates, this potentially decreases subsidy claimable by £114,573.</p>
Rent Allowances	Incorrect working tax credit figure	<p>Additional testing identified three cases where an incorrect amount of working tax credit had been applied resulting in an overpayment of benefit (total error £136).</p> <p>In addition, three cases had overpayments that were misclassified between LA error overpayments and eligible overpayments, with cell LA error overstated (total value £5) and eligible error understated (total value £5).</p> <p>The overall impact of extrapolating these errors over the sub-population of working tax credit cases is an increase in the amount of LA error overpayments of £11,301, an increase in the amount of eligible overpayments of £7,674, and a decrease in benefit correctly paid of £18,975.</p> <p>At the applicable subsidy rates, this potentially decreases subsidy claimable by £15,906.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
Rent Allowances	Incorrect private pension figure	<p>Additional testing identified five cases where an incorrect amount of private pension had been applied. Two cases resulted in underpaid benefit (total error of £8) and three cases in overpayment of benefit (total error £1).</p> <p>In addition, two cases had errors that impact on the amount of overpaid benefit in the current year (total value £205).</p> <p>The overall impact of extrapolating these errors over the sub-population of private pension cases is an increase in the amount of LA error overpayments of £22 a decrease in the amount of eligible overpayments of £11, a decrease in benefit correctly paid in the current year of £11, and a decrease of overpayments in prior years of £2,291.</p> <p>At the applicable subsidy rates, this potentially decreases subsidy claimable by £933.</p>
Rent Allowances	Incorrect classification of prior year eligible overpayments	<p>Initial testing identified one case that that had been incorrectly classified as an eligible overpayment as part of the claimant's benefit calculation (total error £1,019).</p> <p>Additional testing identified three cases where an incorrect classification of overpayment as an eligible overpayment had been applied (total error of £767). In all cases prior year eligible overpayments was found to be overstated and prior year LA error overpayments correspondingly understated.</p> <p>In addition, three cases were identified where the prior year overpayment figure was misstated resulting in an overstatement of prior year eligible overpayments (total value £297).</p> <p>The overall impact of extrapolating these errors over the sub-population of eligible overpayments cases is an increase in the amount of LA error prior year overpayments of £100,762, a decrease in the amount of eligible prior year overpayments of £100,762, and a decrease of overpayments in prior years of £14,928.</p> <p>At the applicable subsidy rates, this potentially decreases subsidy claimable by £46,276.</p>

DETAILED FINDINGS

Benefit type	Error type	Impact on claim
Rent Allowances	Incorrect rent figure	<p>Initial testing identified one case where an incorrect rent figure had been applied to the claimant's benefit calculation. The Council had identified this as part of the claim preparation process and has made amendments to the benefit assessment in the 2016/17 year to correct this error.</p> <p>Additional testing identified two cases where an incorrect rent figure had been applied as part of the claimant's benefit calculation. One case created an underpayment of benefit awarded (total error £793) and one case identified that a prior year overpayment figure was misstated resulting in an overstatement of both prior year LA error and eligible overpayments (total value £24).</p> <p>The overall impact of extrapolating these errors over the sub-population of rent cases is a decrease in the amount of LA error prior year overpayments of £3,615 and a decrease in the amount of eligible prior year overpayments of £9,039.</p> <p>At the applicable subsidy rates, this potentially decreases subsidy claimable by £3,615.</p>
Reconciliation	Reconcile difference of benefit awarded to amounts paid	<p>The benefit granted total used in the claim form is lower than the reconciliation report for amount of benefit paid by £7,738. The Council has used the net lower amount in preparing the claim form and may be under claiming subsidy entitlement.</p> <p>However, there is a gross difference for creditor payments (non HRA and rent allowances) where the Council appears to have claimed £1,036 too much, offset by rebates (HRA) awarded of £8,774.</p> <p>This potentially decreases subsidy claimable by £1,036.</p>
Overpayments threshold	Local authority and administrative delays overpayments	<p>Local authorities are given a subsidy allowance to reclaim overpayments arising from local authority error and administrative delays. Full subsidy is claimable where these errors total no more than 0.48% of benefit, at 40% if these are no greater than 0.54% of benefit, and no subsidy if the upper threshold is exceeded. The Council has reported overpayments of £1,031,139 which is below the lower threshold of £1,259,365.</p> <p>The impact of correcting for the extrapolations above would increase these overpayments by £520,758, to £1,551,897, which would exceed the upper threshold by £135,112.</p> <p>This potentially decreases subsidy claimable by £1,031,139.</p>

APPENDIX

APPENDIX: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>A significant number of errors were identified with the benefit calculations for some claimants.</p> <p>This resulted in a number of cases where Housing Benefit was paid at an incorrect rate.</p>	<p>Reinforce the key messages from the subsidy workshops carried out in December 2015.</p> <p>Re-visit the results of checking that is being undertaken on assessors work to reinforce the messages about the errors that are identified.</p> <p>Carry out regular checking of a number of claims to ensure that:</p> <ul style="list-style-type: none"> Income has been input correctly Overpayments have been correctly classified 	High	<p>Throughout the year we have carried out a number of actions to reduce errors. In July 16 we held common error workshops with each processing team, the sessions covered analysis of recent errors . Each officer undertook a test to confirm their understanding.</p> <p>As a result of this audit, we will review the types of errors made and target additional training for all staff as required.</p> <p>All officers are performance managed and have My conversation meetings with their line manager on a regular basis and every error identified is discussed in detail. Where persistent errors occur action is taken.</p> <p>Monthly Finance & Management meetings review QA and as a result of analysis of errors, specific actions are put in place to reduce errors as required.</p>	Jim Brady	On-going
	<p>Perform additional checks on the assessments that are undertaken by new and temporary staff and staff with limited experience in completing these assessments.</p>	High	<p>We have been reducing reliance of temporary staff and where possible, permanent officers are now being recruited.</p> <p>We already have different levels of QA in place for different members of staff:</p> <p>100% for new starters, 30% for staff with high error rates and 4% random checking.</p>	Jim Brady	On-going

APPENDIX: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>A significant number of errors were identified with the benefit calculations for some claimants.</p> <p>This resulted in a number of cases where Housing Benefit was paid at an incorrect rate.</p>	<p>Check a sample of claims during the period from April 2016 - March 2017 in advance of closing the Benefits system for the year and producing the subsidy claim.</p> <p>Ensure that any amendments required to cases are made before the subsidy claim form is run.</p>	High	<p>Throughout the year we target areas of work that are high risk and have been identified through QA and subsidy monitoring.</p> <p>Following this audit, we will revisit the checking regime to ensure the checking targets the most appropriate areas of error / risk.</p>	Helen Hili / Claire Maunders	February 2017
	<p>Seek to retain and recruit experienced housing benefit staff that are more proficient at delivering accurate case processing.</p>	High	<p>There has been a rolling recruitment programme in place since October 15 . We compete for staff with neighbouring Boroughs and recruitment of experienced officers is very difficult. We have appointed 9 new Service Officers this year and will continue recruitment until all vacancies are filled. Staff are being fully trained and continue to receive support and coaching from experienced officers.</p>	Helen Hili	On-going

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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