



LONDON BOROUGH OF HARINGEY

HOUSING BENEFITS SUBSIDY CERTIFICATION

For the year ended 31 March 2018

24 January 2019



INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of the housing benefits subsidy certification for the financial year ended 31 March 2018.

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.

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 planned fees in our Audit Plan.

The indicative fee of £33,190 was set by PSAA based on the 2015/16 fee. The fee for 2016/17 was £38,223 and we agreed that the planned fee for 2017/18 would remain at £38,223.

	PLANNED FEES (£)	FINAL FEES (£)
Housing benefits subsidy claim	38,223	38,223

KEY FINDINGS

CLAIM OR RETURN	VALUE	QUALIFIED	AMENDED	IMPACT OF AMENDMENTS
Housing benefit subsidy	£251,224,361	YES	YES	£3,490 reduced subsidy But likely to be further amended by DWP based on extrapolation errors as noted below

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 has claimed subsidy of £251,227,851. The final claim was reduced by £3,490 to £251,224,361.</p>	<p>In recent years, we have reported on a significant number of errors found in our testing of benefits awarded to claimants and a concern that a large backlog of claims and claimant notified change in circumstances was resulting in a high number of overpayments arising from administrative delays.</p> <p>Reducing the backlog of claims</p> <p>We were pleased to note that the Council has taken action and obtained external support to clear many of the backlog cases and claimant changes in circumstances that often led to significant amounts of overpayments created due to delays in processing claims and amendments.</p> <p>The housing benefits subsidy process provides an allowance each year to allow local authorities to recover, through DWP subsidy, any overpayments resulting from local authority errors and administrative delays. However, this allowance is designed to encourage local authorities to minimise such errors and it is capped to provide subsidy in full for these overpayments where the total does not exceed 0.48% of total benefits, provides for subsidy at only 40% where these overpayments do not exceed 0.54% of total benefits, and penalises local authorities by not providing any subsidy for these overpayments where exceeding 0.54% of total benefits.</p> <p>As a result of clearing a large part of the backlog in 2017/18, the Council has created a higher than usual number and value of overpayments arising from local authority errors and administrative delays, and this has resulted in total value exceeding the 0.54% maximum error allowance to recover these through subsidy. The Council has therefore not been able to recover any amounts for the £1.445 million local authority error and administrative delay overpayments in 2017/18. In recent years, the Council has been able to recover 40% of these errors where the total errors fell between the 0.48% and 0.54% thresholds. Ideally, the Council should seek to minimise such errors so that these fall below the 0.48% threshold to be able to recover these amounts in full through subsidy from DWP.</p> <p>We have discussed with management the current position (to 14 January 2019) and whether the Council has benefited in the current year from the clearance of a large part of the backlog in the previous year. This suggests that the overpayments total to date of £577,504 are only 0.30% of benefits awarded and should be recoverable in full this year. However, this is subject to continued good performance for the remainder of the year, year end validation by the Benefits team of overpayments, and testing of the accuracy of benefit assessments and classification of overpayments through the audit process.</p>

KEY FINDINGS

HOUSING BENEFIT SUBSIDY

FINDINGS AND IMPACT ON RETURN

Audit approach and scope of testing

The certification process requires that we test an initial 60 benefit cases in full across non-HRA rent rebates, HRA rent rebates and private tenancy rent allowances. Where we identify errors in any of these cases, and for all error types found in the prior year, we then test a further 40 cases with similar characteristics to the identified error to estimate through extrapolation the impact on the amount of subsidy claimed.

This year, this resulted in 29 separate error types where an additional 40 cases were tested or, for small populations, where all cases were tested. Where we were able to isolate the error, the Council was able to make corrections as noted in the following pages.

However, for extrapolated errors where the estimates may be based on cases that are not representative of the underlying error rate, no amendments have been made to the subsidy claimed and we have reported these as potential errors to DWP. In most years, DWP will write to the Council to state that it is minded to make these adjustments to the final subsidy determination unless the Council is able to provide evidence that more accurately reflects the underlying error rates.

We have estimated that the impact of the extrapolated errors could result in DWP withholding approximately (£458,000) of subsidy. The areas subject to greatest loss of subsidy arise from potential misclassification of eligible overpayments that should be local authority error and administrative delays, and overpayment of benefit where an incorrect rent amount had been used in the assessment. The Council has written to DWP to state that it intends to undertake additional testing in these areas to identify a more accurate underlying error rate. We await a response from DWP to this request and any additional audit work required.

Impact on additional mandated testing in 2018/19

In 2016/17, there were 25 blocks of additional 40 cases (or 100% testing of small populations) resulting from errors that year that resulted in mandated additional testing in 2017/18. For three of these blocks we found no errors in 2017/18 and these can be removed from the mandated 2018/19 additional testing (Non-HRA working tax credit, HRA disability living allowances and HRA non-dependant deductions). However, there were three additional areas with errors in 2017/18 (non-HRA local authority overpayments, rent allowances tenancy start dates, and HRA backdated benefits) that will result in mandated additional testing in 2018/19.

Overall, the 2018/19 certification work will again require 25 block of 40 cases (or 100% testing) as mandated additional testing.

A summary of the issues can be found on the following pages.

KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Earned income assessments	<p>Non-HRA: We found 3 cases in the initial sample and 2 cases in the additional cases tested with errors in calculations. 2 cases resulted in overpaid benefits and 3 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net underpayment error is £2,964.</p> <p>HRA: We found 2 cases in the initial sample and 5 cases in the additional cases tested with errors in calculations. 2 cases resulted in overpaid benefits and 3 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net underpayment error is £56,799 in the current year and £173,192 overstatement of errors in the prior year.</p> <p>Rent allowances: We found 4 cases in the additional cases tested with errors in calculations. 2 cases resulted in overpaid benefits and the extrapolated overpayment error is £85,479.</p>	<p>Extrapolation of earned income errors suggests that subsidy may be over claimed by (£30,685) for the current year although subsidy loss through prior year overpayments could be reduced by £103,915.</p> <p>The net increase in subsidy would be +£73,230.</p>
Self-employed income assessments	<p>Non-HRA: We found 2 cases in the initial testing and 10 cases in the additional cases tested with errors in calculations. 7 cases resulted in overpaid benefits and 2 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net overpayment error is £2,593.</p> <p>HRA: We found 11 cases in the additional cases tested with errors in calculations. 6 cases resulted in overpaid benefits and 2 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net underpayment error is £1,588.</p> <p>Rent allowances: We found 6 cases in the additional cases tested with errors in calculations. All 6 cases resulted in overpaid benefits and 2 of these cases also had underpaid benefit that could have been offset against other overpayments. The extrapolated net overpayment error is £590 in the current year and £590 overstatement of errors in the prior year.</p>	<p>Extrapolation of self-employed income errors suggests that subsidy may be over claimed by (£2,806).</p>

KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Child care costs	<p>Non-HRA: We found 7 cases in the additional cases tested with errors in the calculations. 3 cases resulted in overpaid benefits and 4 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net overpayment error is £5,819 in the current year and £1,883 overstatement of errors in the prior year.</p> <p>HRA: We found 5 cases in the additional cases tested with errors in the calculations. 3 cases resulted in overpaid benefits and 1 case that had underpaid benefit that could have been offset against other overpayments. The extrapolated net overpayment error is £37,592.</p>	<p>Extrapolation of child care costs errors suggests that subsidy may be over claimed by (£44,092) for the current year although subsidy loss through prior year overpayments could be reduced by £1,129.</p> <p>The net decrease in subsidy would be (£42,963).</p>
State pensions income	<p>HRA: We found 13 cases in the additional cases tested with errors in the calculations. 3 cases resulted in overpaid benefits and 5 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net overpayment error is £4,422 in the current year and £1,273 overstatement of errors in the prior year.</p> <p>Rent allowances: We found 9 cases in the additional cases tested with errors in the calculations. 3 cases resulted in overpaid benefits and 2 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net overpayment error is £1,076 in the current year and £3,765 overstatement of errors in the prior year.</p>	<p>Extrapolation of state pension errors suggests that subsidy may be over claimed by (£5,921) for the current year although subsidy loss through prior year overpayments could be reduced by £3,145.</p> <p>The net decrease in subsidy would be (£2,775).</p>
Occupational pensions income	<p>HRA: We found 2 cases in the additional cases tested with errors in the calculations. 1 case resulted in overpaid benefits and 1 case that had underpaid benefit that could have been offset against other overpayments. The extrapolated net underpayment error is £743.</p> <p>Rent allowances: We found 7 cases in the additional cases tested with errors in the calculations. 3 cases resulted in overpaid benefits and 2 cases that had underpaid benefit that could have been offset against other overpayments. The extrapolated net overpayment error is £2,374.</p>	<p>Extrapolation of occupational pension errors suggests that subsidy may be over claimed by (£1,768).</p>

KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Working tax credits	<p>Non-HRA: No errors were found this year and this will allow us to remove this area from the mandated additional testing in 2018/19 if no errors are identified from the initial testing.</p> <p>Rent allowances: We found 2 cases in the additional cases tested with errors in calculations. 1 case resulted in overpaid benefits and 1 case that had underpaid benefit that could have been offset against other overpayments. As the net error was below £1 we did not report an extrapolated error.</p>	No impact.
Classification of eligible overpayments	<p>Non-HRA: We found 3 cases in the additional cases tested where the eligible overpayment was misclassified. The extrapolated misclassified amount is £43,438.</p> <p>HRA: We found no errors in the classification of eligible overpayments but 1 case that was calculated incorrectly. The extrapolated overstated overpayments amount is £1,332.</p> <p>Rent allowances: We found 3 cases in the current year and 2 cases in the prior year from the additional cases tested where the eligible overpayment was misclassified. The extrapolated misclassified amount is £424,044 in the current year and £155,195 in the prior year.</p>	<p>Extrapolation of eligible overpayment errors suggests that subsidy may be over claimed by (£86,194) for the current year and (£62,042) for the prior year.</p> <p>The decrease in subsidy would be (£248,194).</p>
Classification of technical overpayments	<p>Non-HRA: We found 1 case in the initial sample and 3 cases in the additional cases tested where the technical overpayment was misclassified. The extrapolated misclassified amount is £17,684.</p>	<p>Extrapolation of technical overpayment errors suggests that subsidy may be under claimed by +£10,176.</p>
Classification of local authority overpayments (additional error type for non-HRA in 2017/18)	<p>Non-HRA: We found 1 case in the initial sample and 9 cases in the additional cases tested where the local authority overpayment was misclassified. The extrapolated misclassified amount is £12,272.</p> <p>Rent allowances: We found 1 case in the initial sample and 3 cases in the additional cases tested where the local authority overpayment was misclassified or miscalculated. The extrapolated misclassified amount is £58,300 and the overstated overpayments amount is £27,854</p>	<p>Extrapolation of local authority overpayment errors suggests that subsidy may be under claimed by +£52,656.</p>
Rental start dates (new error type 2017/18)	<p>Rent allowances: We found 1 case in the initial testing and 4 cases in the additional testing with an incorrect start date of the tenancy used in the assessment. 2 cases resulted in overpaid benefits and the extrapolated overpayment error is £47,990.</p>	<p>Extrapolation of rent start date errors suggests that subsidy may be over claimed by (£47,990).</p>

KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Rent amounts	<p>Non-HRA: We found 1 case in the initial testing with an incorrect rental amount but no errors in the additional cases tested. This case resulted in overpaid benefit of £2,080. We classified this as an isolated error and did not extrapolate this.</p> <p>Rent allowances: We found 1 case in the initial testing and 1 case in the additional testing with an incorrect rental amount. 1 case resulted in overpaid benefits and the extrapolated overpayment error is £245,522.</p>	<p>Extrapolation of rent errors suggests that subsidy may be over claimed by (£245,522) along with the (£2,080) isolated error.</p> <p>The decrease in subsidy would be (£247,602).</p>
Disability living allowance	HRA: No errors were found this year and this will allow us to remove this area from the mandated additional testing in 2018/19 if no errors are identified from the initial testing.	No impact.
Non-dependant deductions	HRA: No errors were found this year and this will allow us to remove this area from the mandated additional testing in 2018/19 if no errors are identified from the initial testing.	No impact.
Severe disability premium	Rent allowances: All 81 cases in receipt of severe disability premium were tested and found two errors resulting in overpaid benefits. The claim was amended to reduce the amount claimed by £853.	No impact as claim was amended.
Backdated benefits (new error type 2017/18)	HRA: We found 1 case in the initial testing where the backdating was not required as there was an valid claim for the period. All 91 cases were tested with 40 found to have been incorrectly included as backdated benefits or with calculation errors. As all cases were tested, the claim was amended to reduce backdated claims by £20,822 and by £2,923 for overpaid benefits.	No impact as claim was amended.
Modified schemes	Testing of all modified scheme benefits found small value errors in most of the cases (6 out of 7 HRA and 5 out of 8 rent allowance cases). These errors were all amended in the claim.	No impact as claim was amended.

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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