



Annual Report on grant claims and returns 2015/16

London Borough of Brent

—

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in connection with this
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Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £370 million.
- Under separate assurance engagements we certified two returns as listed below.
 - Teachers' Pension Return (£15 million); and
 - Pooling of Housing Capital Receipts (£9 million).

Certification and assurance results (Pages 4-5)

Our certification work on Housing Benefit Subsidy claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter in relation to the following two items:

- Errors in the calculation of claimants eligible self employed income which is used to calculate the housing benefits payable – there was a similar qualification in 2014/15; and
- Errors in the calculation of claimants eligible earned income which is used to calculate the housing benefits payable.

An adjustment on the value of Modified Schemes of £3,314 within the claim was also made as a result of the audit but this had no impact on the subsidy claimed.

Our work on the other grant assurance engagements resulted in unqualified assurance reports for both the Teachers' Pension Return and Pooling of Housing Capital Receipts Return. There was a minor adjustment to the bottom line of the Teachers' Pension Return of £1,068.

Recommendations (Page 6)

We have expanded on one of the recommendations made last year which was not implemented. The other two recommendations from last years' work on grants and returns were implemented and testing did not identify any similar issues this year.

Fees (Page 7)

Our proposed fee for certifying the Council's 2015/16 Housing Benefit Subsidy claim is £21,663 (2014/15 £27,321). This is in excess of the indicative fee set by PSAA of £20,815 due to additional testing required.

Our fees for the other assurance engagements were subject to agreement directly with the Council and totalled £6,000.

Summary of reporting outcomes






Overall, we carried out work on three grant claims and returns:

- one was qualified with amendments;
- one was unqualified but required amendment; and
- One was unaqualified with no amendments required.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2015/16 grant claims and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed is appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other assurance engagements					
— Teachers' Pension Return	2				
— Pooling of Housing Capital Receipts Return	3				
		1	0	2	2

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy Claim</p> <p>Our initial testing of 60 cases identified one error where the Council had underpaid housing benefit subsidy by £92.98 due to an error in the calculation of earned income. The Council checked 40 similar cases for earned income and found a further nine errors. Two of these errors resulted in £19.02 being overpaid. The other seven either resulted in an underpayment or no change in benefit paid and thus had no impact on the housing benefit claim. While the impact of the extrapolation of the figure on the claim was only £327, the percentage of earned income being incorrectly calculated is over 20%.</p> <p>As a result of errors in previous years in relation to the calculation of self employed income for benefit purpose (32 errors out of 126 cases tested in 2014/15), we carried out additional testing on claims where the claimant had self employed income. Our testing of 125 such cases found errors in 53 of the cases (42%) of which 14 resulted in the claimant being overpaid housing benefits. Our extrapolation on the claim of the 14 overpayments totalled approximately £235,000. However, due to the Council being below their threshold for LA error and administration delays, this is likely to have minimal effect on the subsidy claimed if the Department decided to use this figure to revise the claim.</p> <p>As part of the process of additional testing due to errors in the previous years, the Council carried out the first check from a sample chosen by us. We then re-performed the test on a number of claims to ensure the Council had tested the claims correctly. We found though errors in the Council's testing and had to request that the testing was revisited. Our further re-performance found errors again and the Housing Benefit manager then reviewed all the cases to ensure the Council's findings were accurate. We then re-performed further tests on these results and found them to be accurate. This has lead to an additional proposed audit fee.</p>	No impact on claim
2	<p>Due to the above and delays in providing other information, the claim missed the deadline by six days.</p> <p>Teachers' Pension Return</p> <p>The return was submitted to KPMG by the deadline. The return was adjusted for one error of £1,068 relating to a refund not being included in the original return. This was adjusted and we issued an unqualified assurance report although the deadline was not achieved by two days due to an incorrect form being completed.</p>	£1,068 due from the TPA
3	<p>Pooling of Housing Capital Receipts Return</p> <p>The return was submitted to KPMG by the deadline. The working papers supported the return and there were no matters arising. We issued an unqualified assurance report by the audit deadline.</p>	No amendment

Prior year recommendations

We made three recommendations in our 2014/15 Certification of Grants and Returns Annual Report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation		Priority	Status as at November 2016	Management comments
Housing Benefit				
1	Review in detail the reasons for errors relating to self employed income calculations for benefit purposes and put in place arrangements to ensure all figures used in the calculation of self employed income are accurate and fully supported.	1	While the Council had developed an improvement plan which included additional checks, our findings this year was that the number of errors on the calculation of self employed income used to calculate housing benefit had increased to 42% of all claimants. This resulted in both under and overpayments to claimants.	See Appendix One

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grant claims and returns in 2015/16 was £27,663.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2015/16 of £20,815. Due to additional work we were required to complete as described on page 5, our proposed fee is higher. This is subject to approval by PSAA.

Grants subject to other assurance engagements

The fees for our assurance work on other returns are agreed directly with the Council. Our fees for 2015/16 were in line with those in 2014/15.

Breakdown of fees for grants and returns work

Breakdown of fee by grant claim and returns		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	21,663	29,540
Teachers' Pension Return	3,000	3,000
Pooling of Housing Capital Receipts	3,000	3,000
Total fee	27,663	35,540

Appendix One: – Action taken by Council on Housing Benefit findings

Background

As highlighted in the supporting document, “Summary of Self Employed Errors & Remedial Actions” - which was issued as an appendix to the 2014/15 grant certificate – ongoing issues around the processing of Self Employed income had already been identified during the course of 2015/16, and activities to improve performance in this area had been planned. Therefore, the findings of the 2015/16 Subsidy Audit are commensurate with our own findings and expectations during the 2015/16 year.

2015/16 Subsidy Audit Error rates

It is acknowledged that the rate of error has increased, with 42% of claims with self-employed income being subject to some form of error. Whilst only 30% of claims had an error that actually impacted the level of entitlement the customer received, it is accepted that this rate of error is still outside acceptable levels.

Category	Number of Claims in Category	% of Claims in Category
Correct	72	58%
No Impact	16	13%
Overpaid	14	11%
Underpaid	23	18%
Total:	125	100%

Further analysis has been carried out to look at the dates from which each of the self-employed incomes were loaded in order to evaluate whether there was an improvement for those which were loaded following the controls introduced during February 2015. It should be noted that a number of claims had multiple periods of self-employed income, with 149 different self-employed income periods checked in total for the 125 claims checked overall.

Appendix One: – Action taken by Council on Housing Benefit findings

Further analysis has been carried out to look at the dates from which each of the self-employed incomes were loaded in order to evaluate whether there was an improvement for those which were loaded following the controls introduced during February 2015. It should be noted that a number of claims had multiple periods of self-employed income, with 149 different self-employed income periods checked in total for the 125 claims checked overall.

Looked at overall, not split between pre and post February 2015, rates of error were marginally better when looked at by each individual income – with 38% of self-employed incomes being subject to error, and 27% affecting entitlement – though were still outside of acceptable levels.

Outcome	SE Income Outcomes Loaded Pre Feb 2015 controls (Number)	SE Income Outcomes Loaded Pre Feb 2015 controls (%)	SE Income Outcomes Loaded post Feb 2015 controls (Number)	SE Income Outcomes Loaded post Feb 2015 controls (%)	Total (Numbers)	Total (%)
Correct	59	64%	34	61%	93	62%
No Impact	7	8%	9	16%	16	11%
Underpaid	17	18%	9	16%	26	17%
Overpaid	9	10%	5	9%	14	10%
Total	92	100%	57	100%	149	100%

Looking at the outcome breakdown's, split between pre and post February 2015, there is no discernible difference or improvement. In fact the proportion of incomes deemed to be processed correctly fell from 64% to 60%, although the number of errors that impacted the level of entitlement a customer is awarded also decreased from 28% to 25%.

Ongoing Activity for improvements and monitoring of self-employed income

Briefing sessions were carried out during quarter 4 of 2015/16 in order to raise awareness of the issues identified in relation to Self Employed income and to outline a new policy which would provide a simplified approach to the processing of Self Employed income moving forward. As also outlined in the aforementioned document, a resource was to be made available to carry out an interventions exercise on Self Employed claims.

Unfortunately the full implementation of the revised Self Employed policy was delayed pending development of an IT solution, however that development work has now been agreed and scheduled for completion in April 2017. A Self Employed Interventions exercise – applying the principles of the revised policy - started in February 2017 with 144 face to face appointments already arranged during February and early March, with a further 166 due to be scheduled shortly after. In total 2768 self-employed claims will be reviewed during 2017, representing all cases where the current assessment is more than 12 months old.

The interventions exercise will be subject to targeted quality checks during February, March, April and May 2017 in order to ensure adherence to the revised approach as well as to measure the accuracy of Self Employed claims processed in this way. This, and the interventions exercise itself, will provide confidence regarding self-employed claim assessment accuracy and adherence to revised procedures.

It is proposed that the findings and analysis of the aforementioned quality assurance work be presented to Audit Committee when it convenes in June 2017 in order to provide assurance that the new regime is effective and to outline whether any additional measures are considered necessary



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