



# Annual Report on grants and returns 2016/17

**London Borough of Brent**

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## Headlines

### Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 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 grants/returns under separate engagement terms. The work completed in 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £345 million;
- Under separate engagements we issued reports on the following two returns:
  - Teachers' Pension Return (£14 million); and
  - Pooling of Housing Capital Receipts (capital receipts subject to pooling £10 million)

### Certification and assurance results (Pages 3-6)

Our certification work on Housing Subsidy Benefit 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 matters:

- Errors in the calculation of claimants eligible self employed income – there was a similar qualification in 2015/16;
- Errors in the calculation of claimants eligible earned income – there was a similar qualification in 2015/16;
- Errors in recording claimants tax credits;
- Evidence to support the weekly rent not retained;
- Misclassification of overpayments between Local Authority errors and eligible overpayments;
- Errors in the classification of types of accommodation as the landlord was not a registered provider; and
- Two cases where the Council did not verify income in line with their Risk Based Verification Framework.

Our work on the other grant assurance engagements resulted in unqualified assurance reports being issued.

### Recommendations (Page 8)

We made one recommendation to the Council last year relating to investigating reasons for self employed income being incorrectly recorded. The accuracy of recording self employed income has not improved this year. We have expanded our recommendation to include other errors identified during the audit.

### Fees (Page 7)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £22,115, which is in line with the indicative fee set by PSAA.

Our fees for the other returns were subject to agreement directly with the Council and totalled £6,500.

## Summary of reporting outcomes






### Overall, we carried out work on three grants and returns:

- One was unqualified with no amendment;
- One was unqualified but required some amendment to the final figures; and
- One required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2016/17 grants 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 are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments regime</b>					
— Housing Benefit Subsidy	1				
<b>Other grant/return engagements</b>					
— Teachers' Pension Return	2				 *
— Pooling of Housing Capital receipts	3				
		1	None	2	2

\* We were required to report a £23,629 difference between actual contributions and gross salaries multiplied by the required percentage. This was not a qualification.

# 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><b>Housing Benefit Subsidy Claim</b></p> <p>Our initial testing of 60 cases identified:</p> <ul style="list-style-type: none"> <li>Two cases where the Council did not verify earned income in line with its Risk Based Verification policy;</li> <li>One case where earned income was incorrectly entered as the gross value rather than net;</li> <li>One case where the claimant's tax credit was entered incorrectly;</li> <li>One case where the classification of type of accommodation was incorrect as the landlord was not a registered provider;</li> <li>One case where the rent liability of the claimant could not be supported; and</li> <li>One case where LA overpayment error was classified as an eligible overpayment.</li> </ul> <p>In line with the methodology required by DWP, officers checked additional cases and found the following:</p> <ul style="list-style-type: none"> <li>Three further cases out of 40 tested where earned income was incorrectly entered</li> <li>One further case out of 40 tested where the claimant's tax credit was entered incorrectly;</li> <li>One further case out of 40 tested where the classification of type of accommodation was incorrect;</li> <li>One further case out of 40 tested where eligible overpayments included an amount which shouldn't have been classified as an overpayment.</li> </ul> <p>As a result of errors in previous years in relation to the calculation of self employed income for benefit purpose (53 errors out of 125 cases tested in 2015/16), we carried out additional testing on claims where the claimant had self employed income. Our testing of 124 such cases found errors in 73 of the cases (59%: 2015/16: 42%) of which 11 resulted in the claimant being overpaid housing benefits, 40 on claimants being underpaid and 22 cases which had no impact on the amount the claimant was due. The overpayments ranged from £2 to £592.</p> <p>While most of the errors above would only result in minor adjustments to individual cells included in the claim, the errors where a property was included as a registered provider when it was not would have, based on our extrapolation, lead to a £949,086 LA overpayment error.</p> <p>However, due to the Council having only £264,882 of LA error and administration delays against a lower threshold of £1,623,616, this is likely to have minimal effect on the subsidy claimed if the Department decided to use the extrapolated figures to revise the claim.</p>	+£5

# Summary of certification work outcomes

This table summarises the key issues on each of the returns.

Ref	Summary observations	Amendment
2	<b>Teachers' Pension Return</b> The return was submitted to KPMG by the deadline. Our testing identified that multiplying gross salaries by the expected contributions resulted in a difference of £23,629 on total contributions of £14,574,160 which we were required to report to the Department. The Council investigated this and explained the reason was due to returns from individual schools that do not use the Council's payroll. This is not a qualification of the return.	Nil
3	<b>Pooling of Housing Capital Receipts Return</b> 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.	Nil

## 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 grants/returns in 2016/17 was £28,615.**

### **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 2016/17 of £insert fee.

### **Grants subject to other engagements**

The fees for our work on other returns are agreed directly with the Council. Our fees for 2016/17 were in line with those agreed at the start of the year.

### **Breakdown of fees for grants and returns work**

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	22,115	21,663
Teachers' Pension Return	3,500	3,000
Pooling of Housing Capital receipts	3,000	3,000
<b>Total fee</b>	<b>28,615</b>	<b>27,663</b>

## Prior year recommendations

We made one recommendations in our 2015/16 Certification of Grants and Returns Annual Report regarding self employed income. A review of the results of our testing demonstrates that action taken by the Council has not lead to improvements.

Prior year recommendation	Priority	Status as at November 2017	Management comments
<b>Housing benefits</b>			
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	<p>While we are aware that the Council has taken action to try to address the recording of self employed income, the accuracy of recording self employed income has not improved with errors found in 59% of the cases tested this year.</p> <p>This issue first arose in 2013/14..</p> <p>It is also noted that overall there were an increase in errors in other areas found this year as highlighted on page 5.</p> <p>The Council should consider if there are any specific reasons behind the overall increase in housing benefit payments being incorrectly calculated or classified.</p>	The Council has put together an action plan to address the findings. This includes general actions such as de-briefing to all staff involved in processing housing subsidy claims to specific actions to address individual errors identified eg implementation of a New Self Employed Policy in July 2017 and on line form in August 2017. Quality control assurance tests completed in December 2017 and January 2018 on new self employed claims showed an error rate of 6%.





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# Housing Benefit Subsidy Audit Actions (2016/17)



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The purpose of this document is to outline the key issues identified during the 2016/17 Housing Benefit Subsidy audit and provide details of remedial actions that have been put into place to mitigate future reoccurrence.

## GENERAL ACTIONS

Following the findings of the 2016/17 subsidy audit, there are a number of remedial actions that we have undertaken. Some of these actions relate specifically to the errors that were identified – i.e. a new or revised procedure for dealing with certain aspects of a claim. However, in addition to these specific actions we also conduct the following more general activities:

- **Subsidy Audit outcome briefing sessions:** Briefing sessions have been delivered to all staff involved in the processing of Housing Benefit claims in order to improve general awareness, communicate key findings and update on subsequent actions being undertaken. These briefing sessions covered the following:
  - The subsidy audit process
  - The number of claims tested
  - Breakdown of errors identified
  - General good practice for processing
  - Planned remedial actions
- **Audit Wrap-up Email:** Similarly to the briefing sessions that are carried out, an email has been sent out to all staff in the benefits service to notify them the overall outcome of the Subsidy Audit and the key findings and subsequent actions

## SELF EMPLOYED INCOME

The types of errors encountered in relation to self-employed incomes are varied, but can be summarised in the following points:

- Transposition and data-entry errors between information provided by customers and that loaded into the benefits processing system (i.e. incorrect amounts, incorrect start / end dates, incorrect SE assessment periods)
- Inconsistency in the amount of information captured for self-employed earners
- Lack of clarity and around decision making and treatment of expenses.

A total 124 claims tested through the subsidy audit had a self-employed income, of which a total of 73 contained errors of one type or another (representing an error rate of 59%).

## REMEDIAL ACTIONS (SELF EMPLOYED INCOME)

- A New Self Employed Policy was implemented in July 2017, providing clearer guidelines and further standardisation around the approach for dealing with Self Employed income. This was coupled with a new paper-based Self Employed form which ensured a standard and appropriate level of detail is requested from all customers from which a decision could be made. This paper based form was utilised whilst an online form was being developed
- An interventions exercise was started in June 2017 to review the 2500 claims in payment with Self Employed income greater than 1 year old.
- In August 2017 our online Self Employed form was launched which in addition to capturing all relevant information regarding the self-employed business and trading period, calculates notational tax and national insurance figures and the average weekly gross and net income. Carrying out these steps through our online form reduces the level of manual entry required by processing staff.
- In the 5 months following, a total of 2162 online self-employed forms were submitted. During December 2017 and January 2018 a quality assurance exercise was carried out checking a total of 250 self-employed income entries on the benefits system (derived from our online self-employed form) which resulted in 16 errors, representing a 6% rate of error

Based on the above actions and monitoring we are now confident that the mechanisms and procedures in place for establishing entitlement on claims with Self Employed income are robust. However, it should be noted that given the fact that the 2500 claims reviewed through the Self Employed intervention exercise had already been paid for part of the 2017/18 subsidy year on an existing self-employed income calculation, there is a reasonable likelihood that the income figures used up to the point of the review will be as prone to error as in previous years.

## EARNED INCOME AND TAX CREDITS

The errors identified in relation to earned income and tax credited reasonably small in occurrence, with a total of 6 errors relating to earned income and 2 errors for tax credits. All of the errors encountered related to the information being entered onto the system incorrectly and comprised of incorrect income start dates, income frequency and income amounts.

## REMEDIAL ACTIONS (EARNED INCOME & TAX CREDITS)

- With regard to Tax Credit income, staff were reminded during briefing sessions of the importance of being vigilant in ensuring that the dates, figures and frequencies entered into the system are accurate. However, given that the vast majority of Tax Credit incomes are loaded directly via DWP ATLAS notifications, therefore limiting the opportunity for officer error to occur, no additional actions or controls are considered necessary
- As with Tax Credit income, staff were reminded during the briefing session to be vigilant when entering information relating to earned income into the system. However, we have also reviewed and revised the guidance materials available to staff for the purposes of processing claims with earned income.

## RENT & TENURE TYPES

Initial testing identified 1 claim which had incorrectly been loaded as a registered provider of social housing rather than as a private tenancy, subject to Local Housing Allowance rules. On testing a further 40 claims one additional claim was identified as having been incorrectly loaded in the same way.

Additionally, initial testing also identified one claim, subject to the LHA rules, where the rental liability had been loaded incorrectly. However, further testing did not identify any further errors of this type.

## REMEDIAL ACTIONS (RENT & TENURE TYPES)

- With regard to loading rental liability correctly, staff were reminded during briefing sessions of the importance of being vigilant in ensuring that the dates, figures and frequencies entered into the system are accurate. Additionally, guidance for staff regarding how rental liability should be loaded has been reviewed and updated to provide greater clarity and ensure consistency.
- In order to ensure the accuracy of claims paid on the basis of being provided by a registered provider of social housing, two remedial actions have taken place
  - A check & correction exercise is underway reviewing the payee landlords for claims assessed as registered provider of social housing. Any associated claims where the landlord is found not to be on the list of registered providers of social housing are being updated and re-assessed under LHA rules
  - A revised procedure and new supporting guidance has been developed to ensure the latest list of registered providers of social housing is checked before a claims is paid at that address.

## OVERPAYMENT CLASSIFICATION

Initial testing identified 1 claim where an overpayment had incorrectly been classified as 'eligible error', rather than 'local authority error'. Testing of a further 40 claims identified one additional claim where the overpayment was incorrectly classified, though it should be noted that in actual fact no overpayment existed.

## REMEDIAL ACTIONS (OVERPAYMENT CLASSIFICATION)

Correct overpayment classification is checked routinely on all claims with overpayments that have been subject to a quality assurance check. During the past 6 months no errors have been identified in respect of overpayment classification. For this reason, notwithstanding the reminders issued to staff during the briefing sessions around the importance of ensuring overpayments are correctly classified, no additional remedial action is considered necessary at this point in time.