



# HASTINGS BOROUGH COUNCIL

## HOUSING BENEFITS SUBSIDY CERTIFICATION

For the year ended 31 March 2017  
23 January 2018



# INTRODUCTION

## Purpose of the report

This report summarises the main issues arising from our certification of the housing benefits subsidy for the financial year ended 31 March 2017.

### 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 2016/17

The indicative fee for this review was set at £8,843 by PSAA.

While there has been some improvement noted in the quality and accuracy of the assessments for the benefit cases tested and in the preparation of the subsidy claim form, we continue to find a higher than average number of errors requiring additional audit testing. We therefore propose to increase the fees to £12,531 for this additional work.

We were pleased to note that the support provided by Branch and Lee to the Council appears to be improving the performance of the assessors and their quality control checks throughout the year should reduce the number of errors going forward.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
Housing benefits subsidy claim	8,843	12,531

## Fees update 2015/16

Following the significant amount of additional work required on the 2015/16 subsidy return and a request from DWP in September 2017 to undertake additional work on the subsidy claimed in 2015/16, we propose increasing the final fees for the previous year to £17,368 (indicative fees were £8,843).

## KEY FINDINGS

Below are details of the housing benefit subsidy return subject to certification by us for the financial year ended 31 March 2017.

CLAIM OR RETURN	VALUE	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS
Housing benefit subsidy	£48,366,470	Yes	Yes	Increase subsidy £24,022

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 £48,342,448.</p>	<p>The initial testing of claimant files across different benefit types found the following errors:</p> <ul style="list-style-type: none"> <li>• 2 cases used an uncorrected LHA rate for the number of bedrooms. Further testing of all non-HRA cases above the cap found that all 8 cases were incorrectly reported due to a system issue that caused the subsidy to be incorrectly coded. The claim was corrected to move £6,526 from above the cap to below the cap benefits paid.</li> <li>• 3 cases recorded as eligible overpayments should have been included as technical overpayments as there was no underlying rent liability as the claimant had vacated the property. Further testing of all non-HRA eligible overpayments found that the majority were incorrectly recorded and the claim was corrected to reclassify £4,645 to the appropriate cells.</li> <li>• 1 case had applied incorrect earnings for the claimant and created an overpayment of benefit. Testing of a further 40 rent allowance cases with earnings calculations found 4 additional errors although only 1 resulted in an overpayment of benefit. The extrapolation of these overpayment errors across all cases with earnings suggests that £11,094 of benefits may have been overpaid. No adjustment was made to the claim form for the extrapolated errors.</li> <li>• 1 case recorded as a local authority error should have been included as an eligible overpayment. Upon investigation, this was found to be a known system fault and the software supplier provides authorities with a report to identify and manually correct these. However, this report was not reviewed or corrected in the initial claim form. The total value of errors was obtained from this report and £23,625 was transferred to the correct cells in the final claim form.</li> </ul>

# KEY FINDINGS

## HOUSING BENEFIT SUBSIDY

## FINDINGS AND IMPACT ON RETURN

- 2 cases recorded as eligible overpayments should have been included as local authority errors. Testing of a further 40 eligible overpayment rent allowance cases found 6 additional errors, although 2 cases had previously been identified through spot checks undertaken by Branch & Lee and £3,544 could be manually corrected in the final claim form. The extrapolation of the remaining overpayment errors suggests that £13,892 of current year and £38,657 of prior year eligible overpayments should be reclassified as local authority errors. No adjustment was made to the claim form for the extrapolated errors.
- Spot checks on outlier cases undertaken by Branch & Lee found other errors in rent allowance eligible overpayments that should have been classified as local authority errors and £54,597 was manually corrected in the final claim form.
- 2 cases had errors in the modified scheme calculations (state pension used and pre-1973 disregarded war widow pension) but in both cases this results in underpayment of benefit so had no impact on the subsidy claimed.
- The software supplier provides a report to allow authorities to evidence that all benefits created and claimed through the subsidy claim form have been paid out. However, the Council chose not to review this report as they had decided that it would not be cost effective as the unreconciled difference was only £9,471. Therefore the difference was deducted from the final claim.

We reported on the uncorrected extrapolated errors and the software reconciliation differences in our qualification letter to DWP on 4 December 2017.

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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