

Report by the Comptroller and Auditor General

Land & Property Services

Introduction

1. I am required under the Accounts Direction given by the Department of Finance in accordance with Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001 to report my opinion as to whether the financial statements give a true and fair view. I am also required to satisfy myself that, in all material respects, expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and conform to the authorities which govern them; that is, they are 'regular'.
2. LPS administers housing benefit¹ for rates of owner occupiers on behalf of the Department for Communities (DfC). Unlike all other Social Security benefits where payments are made, LPS administers £38.1 million of housing benefit in Northern Ireland by offsetting housing benefit against the rate accounts of people who own their own house but are entitled to apply for a reduction as they are on low income and suffering financial hardship. There is estimated to be a substantial amount of fraud and error within these transactions amounting to 13.1 per cent of LPS total housing benefit expenditure as per Figure 1. This is an increase of 1.2 per cent compared to the 11.9 per cent recorded last year.
3. I consider the level of fraud and error in housing benefit expenditure, by its nature, continues to be material. Therefore my opinion on the regularity of this benefit expenditure is qualified.

Basis of Qualification

4. DfC's Standards Assurance Unit (SAU) reported in March 2019 the extrapolated levels of fraud and error for Housing Benefit administered by LPS during the calendar year 1st January to 31st December 2018. This report highlights estimated levels of fraud and error amounting to £1.6 million and £3.3 million respectively.
5. **Figure 1** below shows that the level of error has decreased from £7.3 million in 2014 to £3.3 million in 2018 over the five year period. However, there has been an increase of 50 per cent in 2018 when compared to 2017.

¹ Housing Benefit is a means tested benefit administered by LPS to people who own their homes and are on low incomes with savings and capital below the £16,000 eligibility threshold. This includes but is not limited to those in receipt of means tested benefits such as Job Seeker's Allowance/Income Support/Pension Credit/ Employment and Support Allowance.

From September 2017 Northern Ireland introduced a new payment for working age people who are on low income or out of work known as Universal Credit. It is being rolled out across Northern Ireland on a phased geographical basis. By December 2018 any working age person making a new claim for social security will claim universal credit instead of some of the current benefits, including housing benefit. A new rate rebate scheme will provide rates support for tenants or home owners who are entitled to universal credit. The impact of this change has been minimal in 2018-19. The managed migration of all claimants which was due to commence in July 2019 will not now commence until 2020, with the aim to have this completed by the end of 2023.

Figure 1: Estimated fraud and error in Housing Benefit administered by LPS deemed to be irregular

	2014	2015	2016	2017	2018
	£ million	£ million	£ million	£ million	£ million
HB Administered	42.2	41.5	39.1	37.9	37.5
Error					
Official Error (Overpayment)	4.2	3.6	1.7	0.9	1.3
Customer Error (Overpayment)	2.7	1.7	1.3	1.1	1.6
Official Error (Underpayment)	0.4	0.3	0.3	0.2	0.4
Total	7.3	5.6	3.3	2.2	3.3
% of Housing Benefit	17.3%	13.5%	8.4%	5.8%	8.8%
Fraud					
Customer Fraud	1.3	2.5	2.5	2.3	1.6
Total	1.3	2.5	2.5	2.3	1.6
% of Housing Benefit	3.1%	6.0%	6.4%	6.1%	4.3%

Source: Analytical Services Unit, DfC

6. I recognise that over a number of years LPS has made considerable efforts to improve fraud and error rates but the increase in both customer and official error in 2018 is concerning. My opinion on regularity therefore remains qualified.

Other Matters

7. There are a number of matters referenced in the Performance and Accountability Report and the Governance Statement in the accounts. I note specifically the following matters:

Outstanding Valuation Caseload

8. There has been an increase in the outstanding non-domestic valuation caseload with 3,973 cases outstanding at 31 March 2019 (3,138 cases at 31 March 2018). There has also been a rise in the number of domestic cases outstanding, 11,054 at 31 March 2019 compared to 9,226 at 31 March 2018.
9. The estimated impact on the rate revenue figure of the outstanding domestic and non-domestic caseload at 31 March 2019 is up to £8.7 million.

Vacancy Discharges

10. The estimated level of error in the overall vacancy discharge figure of £42.3 million is 8.65 per cent, although this is likely to be overstated due to inspections being targeted at higher value properties. When LPS find that a ratepayer has been in occupation of a property (whether via a vacancy inspection or otherwise), the correct assessment is back-dated to when occupation began and therefore no revenue is lost.
11. LPS plans to continue their existing inspection programme in partnership with Councils and to trial new methods of data sharing and collection to identify at the earliest opportunity vacant properties that have become occupied. Currently, data is being provided by LPS to assist with a data matching and analytics Council-led initiative to identify properties for inspection with a high probability of occupancy.

Ratepayer Debt

12. **Figure 2** below shows the level of ratepayer debt has reduced to £124.5 million at 31 March 2019. Debt written off in year was £15.9 million and impaired debt, which is unlikely to be repaid in full, amounted to £36.1 million at 31 March 2019.

Figure 2 – Analysis of Ratepayer Debt

	March 2015	March 2016	March 2017	March 2018	March 2019
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,366.4	1,392.0	1,418.1	1,457.3	1,512.2
Net Revenue Collectable	1,172.5	1,196.3	1,232.1	1,275.7	1,333.6
Ratepayer Debt	156.4	142.7	131.7	125.8	124.5
Debt written off	(25.3)	(28.6)	(20.7)	(19.3)	(15.9)
Impaired amount	(36.6)	(35.2)	(36.9)	(36.2)	(36.1)
Write off as a % of Gross Assessments	1.9%	2.1%	1.5%	1.3%	1.1%
Year End Debt as a % of Gross Assessments	11.5%	10.3%	9.3%	8.6%	8.2%

*Note that the figures included in the table above are those from the Revenue & Benefit's system without the Year End accounting adjustments (e.g. accrued income & losses) and as such differ slightly from the figures in the Financial Statements.

13. I recognise the improvement by LPS through its debt management strategy but there is still £125 million ratepayer debt outstanding which is not available for public use. LPS has pointed out this includes late rate assessments and debt that is under a payment arrangement and the majority of the debt outstanding at year end is expected to be recovered. It is therefore important that all necessary steps are taken to maximise recovery.

Update on Application Based Rebate Fraud

14. I have previously provided details on a fraud perpetrated by a member of LPS staff in 2014. The total value of the fraud was £130,000 and to date LPS has retrieved £97,500. I would impress upon LPS the importance of the outstanding amount being pursued.

Additional Fraud Occurrence in 2019

15. LPS has informed me of a recently discovered fraud relating to the misappropriation of refunds due on customer accounts. LPS has commenced its own investigation to establish the full circumstances and the amount involved. The PSNI has been informed. I will keep this matter under review and will report on the outcome in due course.



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