

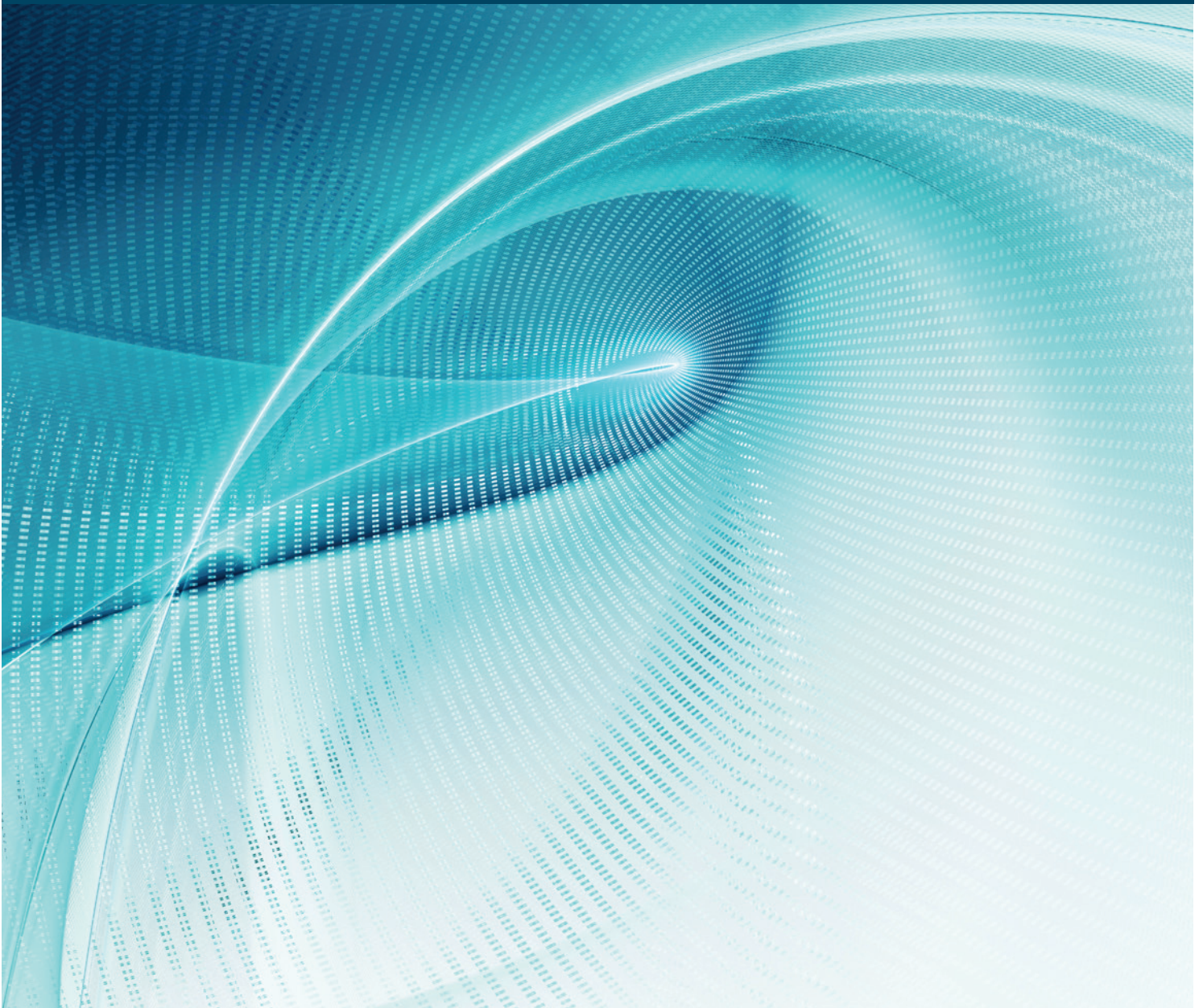


Land &
Property
Services.

**TRUST STATEMENT –
RATE LEVY ACCRUALS ACCOUNT**

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015



Land & Property Services

TRUST STATEMENT – RATE LEVY ACCRUALS ACCOUNT
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FOR THE YEAR ENDED 31 MARCH 2015

Laid before the Northern Ireland Assembly by
the Department of Finance and Personnel
under section 11(3)c of the Government Resources
and Accounts Act (Northern Ireland) 2001

On
3rd March 2016



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1.0 DIRECTOR'S REVIEW

FOREWORD

Introduction

I am pleased to present the 2014-15 Land & Property Services (LPS) Annual Report and Trust Statement Accounts, also known as the LPS Rate Levy Accruals Account.

Firstly, I would like to thank everyone in LPS for their hard work and commitment during the past year, which has meant that we have continued to build on the good progress made in 2013-14. I would also like to thank our Trade Union colleagues for their constructive engagement during the year.

We have achieved, or substantially achieved, the majority of our 2014-15 business targets and the Annexes provide a more detailed summary of our work. However, there are some aspects I would particularly like to highlight as follows:

- Reduction of actionable rating debt to £92.2 million, which was an improvement against the target of £93.1 million;
- Reduction of the overall rating debt to £156.6 million, a reduction of £5.6 million from the previous year end, in conjunction with reducing debt written off to £25.3 million from £31.6 million in 2013-14;
- The substantial work done on preparing the Non-domestic Revaluation 2015 which was available online in November 2015, and working with district councils for forecast revenue streams;
- Positive outturns for 25 of the 26 district councils in terms of rate collections; and
- Collecting £1,175 million in rates revenue.

Looking Ahead

Looking ahead, we have very substantial challenges to meet, such as the challenges presented by further rating reforms including those arising from:

- Welfare Reform;
- Local Government Reform which was operational from 1 April 2015; and
- Dealing with appeals following the non-domestic revaluation.

It is also vital that we continue to focus on improving the quality of our service to customers and building and maintaining our partnerships with councils at this important time. We will also continue to invest in our staff to support the achievement of our business objectives. I look forward to another year of continuing to improve our business performance and meeting the challenges that lie ahead.



David Sterling
Accounting Officer

23 February 2016

2.0 DIRECTOR'S REPORT

Accounts Direction

These are the audited Accounts of LPS Rate Levy Accrual Account in respect of the collection of rates only for the financial year ended 31 March 2015. The production of the Trust Statement was introduced in the 2010–11 to comply with the Government Financial Reporting Manual. The Trust Statement shows the revenue collected by Land & Property Services for the Consolidated Funds and falls outside the boundary of the Department's Annual Report. These Accounts have been prepared in accordance with the Department of Finance and Personnel's (DFP's) Accounts Direction and the Government Resources and Accounts Act (Northern Ireland) 2001.

Our Vision is:

'To be a leading provider of high quality, fair and efficient land and property services'

Our Purpose is:

'To collect, process and manage land and property information, which underpins our collection of rates, in support of the Executive's commitment to economic and social development in Northern Ireland'

Our 'CLEAR' Commitment:

Customers	We will ensure that our primary focus is on delivering quality services.
Leadership	LPS managers will demonstrate clarity of purpose and inspire others.
Ethics	We will deliver fair and equitable treatment for all.
Accountability	We will be accountable to our Minister and the Northern Ireland Assembly for the delivery of services and our performance.
Results	We will use our resources efficiently to deliver the results required by our stakeholders.

Our Main Functions

LPS has **six main functions**, which are to:

- Collect rates on behalf of central government and councils;
- Maintain domestic and non-domestic rating valuation lists;
- Record legal interests in land in the Land Registers and provide land information services relating to the Registers for conveyancing purposes;
- Provide mapping services in Northern Ireland;
- Collect, manage and publish spatial data in Northern Ireland for use by the public and private sectors; and
- Deliver a property valuation, estate management and property data service to the public sector.

LPS Management Board

During this reporting period, Colum Boyle was Chief Executive and was responsible to the Minister of Finance and Personnel for the management of LPS performance and operations. He was assisted in the management of LPS by the Management Board.

The Management Board directs the strategic management of LPS by reviewing its strategic options, setting its corporate direction, supporting the transformation plan, monitoring performance at corporate level and ensuring adequate governance controls.

The membership of LPS Management Board in 2014-15 is detailed on the next page.

LPS Management Board in 2014-15

John Wilkinson	Chief Executive (April 2014 – August 2014)
Colum Boyle	Chief Executive (September 2014 – March 2015)
Alan Brontë	Director of Mapping and Valuation (April 2014 – August 2014) Director of Valuation (April 2014 – March 2015)
Anne Flanagan	Director of Business Services (April 2014 – March 2015)
Patricia McAuley	Director of Revenues and Benefits Rating Reform (April 2014 – March 2015) Acting Director of Registration (January 2015 – March 2015)
Patricia Montgomery	Director of Registration (April 2014 – December 2014)
Mervyn Adair	Director of Revenues and Benefits (April 2014 – March 2015)
Mick Corry	Director of Mapping (September 2014 – March 2015)

Business Performance and Risk Management

During 2014-15, business performance against key departmental targets was monitored by the Management Board on a monthly basis. Key Departmental targets for the rating service, associated risks and other risks were monitored by the LPS Management Board and the Audit Risk Committee.

Within the context of implementing our strategic aims with regards to rate collection, two Ministerial Targets were identified for the 2014-15 year. These were:

- To collect £1,165 million of rates; and
- To reduce the 'actionable debt' (i.e. debt not in recovery) to £93.1 million by 31 March 2015.

Ministerial Target 1: To Collect £1,165 million of Rates by 31 March 2015

Month Ending	Target Rates Collected 2014-15	Actual Rates Collected 2014-15	Variance from Target
	£m	£m	£m
March 2015	1,165	1,175	10

The target of £1,165 million represented a £27 million (or 2.4%) increase on the 2013-14 outturn, against an overall uplift in the district and regional rate of 1.7%. The cash collection of £1,175 million was an increase of £37 million (or 3.25%) over the 2013-14 position and £10 million (or 0.87%) over the target.

Ministerial Target 2: To Reduce the Actionable Rating Debt to £93.1 million by 31 March 2015

Month Ending	Forecast Debt	Actual Debt	Variance from Forecast
	£m	£m	£m
March 2015	93.1	92.2	0.9

For 2014-15 the debt reduction target was changed to focus on the value of 'actionable' debt (i.e. debt that is not yet in the recovery process). The target was to reduce actionable debt to £93.1 million and this was achieved as at 31 March 2015 when actionable debt had been reduced to £92.2 million.

Although total rating debt was no longer a Ministerial Target for 2014-15, LPS continued to monitor total debt as a Key Performance Target. Significant progress was made during 2014-15 and by the end of the year the total rating debt had been reduced to £156.6 million. This shows the progress that LPS has made during 2014-15.

Figure1: Trends in Ratepayer Debt

	March 2015	March 2014	March 2013	March 2012	March 2011
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,366.4	1,331.1	1,297.9	1,242.3	1,200.8
Net Revenue Collectable	1,172.5	1,130.6	1,110.7	1,059.8	1,023.1
Cash Receipts	1,197.9	1,158.9	1,125.9	1,084.0	1,044.6
Ratepayer debt	156.6	162.1	168.3	160.8	155.6
Debt written off	(25.3)	(31.6)	(29.1)	(21.8)	(15.2)
Impaired amount	(36.6)	(40.0)	(44.4)	(41.4)	(33.0)
Write off as a % of Gross Assessments	1.9%	2.4%	2.2%	1.8%	1.3%
Year end debt as a % of Gross Assessments	11.5%	12.2%	13.0%	12.9%	13.0%

*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

It is important that the year-end debt and write off position is considered in light of the overall collection challenge. The year-end debt which was the lowest position it had been since March 2011 amounted to 11.5% of the Gross Assessments and the debt written off amounted to 1.9% of Gross Assessments.

This level of performance must also be considered against the current economic climate within Northern Ireland which has not significantly improved. During the reporting period, LPS focused on collection, recovery and court action and as a result the debt in the recovery process has increased to 41% (40% as at 31 March 2014) and increased the amount of debt secured through the Enforcement of Judgment's Office to £15.9 million (£12.7 million at 31 March 2014).

LPS has implemented several measures during 2014-15 to improve collection including customer segmentation and improving data quality.

Other matters that NIAO reported on during 2013-14 include regularity of the non-domestic vacancy discharge and the completeness of the valuation list. During 2014-15 LPS has prioritised these two issues.

Non-Domestic Vacancy Exemptions

There were approximately 15,600 non-domestic properties listed as vacant at April 2015 compared to 15,200 at 14 April 2014. These properties receive either 100% relief, 50% relief or are exempt from rates whilst vacant. In order to maximise the rate revenue and ensure the accuracy of discharge awarded, LPS established a programme of inspections of vacant non-domestic properties in partnership with local councils and had a target to inspect 15% of the total number of vacant non-domestic properties. In 2014-15, 10 district councils (14 in 2013-14) worked with LPS to establish whether or not properties are actually vacant and entitled to the vacancy discharge. A total of 2,375 inspections took place and 502 (21.1%) of the properties inspected were found to be occupied. As a result of this, a total of £3.2 million rates demands were raised.

Going forward, LPS has a target to inspect 18% of the total number of non-domestic properties that are listed as vacant during 2015-16.

Outstanding Valuation Caseload

In the normal course of its business LPS registers cases each day to re-value domestic and non-domestic properties, bring new properties into the valuation list and to remove properties from the valuation list. As such, the valuation list tax base and, therefore the rate revenue figure in the financial statements, can never be absolutely complete. LPS in consultation with NIAO has developed a model to quantify the estimated impact of this outstanding valuation caseload figure on the rate revenue. As at 31 March 2015, LPS estimate that the impact this would have on the rate revenue figure to be no more than £5.9 million. It is important to note that this model as developed assumes that all properties would be fully occupied from the beginning of the financial year and would not be entitled to reliefs such as industrial de-rating or sport & recreation relief. As such it is acknowledged that the model overstates the rate revenue impact of in hand casework.

LPS continues to prioritise work across both domestic and non-domestic case types focusing on reducing the number and age profile of work in hand at year end. It must be noted also that the date of the valuation adjustment is reflected in the rate revenue when it is processed and as such no amount of revenue is lost.

Housing Benefit Fraud and Error

The NI Comptroller and Auditor General qualified his opinion on the 2013-14 LPS Trust Statement due to limitation in audit scope over the regularity of housing benefit expenditure administered on behalf of the Department for Social Development due to the material levels of fraud and error, and this qualification has been retained for the 2014-15 Trust Statement. LPS monitor housing benefit financial accuracy as a key target and several actions have been instigated in order to reduce the level of fraud and error which include:

- Recruitment to increase Housing Benefit staffing complement;
- Creation of a team within Housing Benefit to quality assure work;
- Automation of ATLAS messages.

Identifying Unknown Ratepayers

LPS participate in the National Fraud Initiative. Under the initiative LPS match data with the Electoral Register to identify domestic properties where the owner or occupier is unknown to LPS but is recorded on the Electoral Register. LPS also make use of tracing services to identify the owner or occupier of properties where this information is unknown to LPS. This enables more effective billing and collection of rates.

Accounts

The Accounts at the end of this report have been prepared in accordance with the Accounts Direction given by DFP on 26 March 2015, in accordance with section 11(2) of the Government Resource Act (Northern Ireland) 2001.

Events Occurring after Year-End

There were no events occurring post year end.

Corporate Governance Report

The Chief Executive of LPS is responsible to the Permanent Secretary for the performance and operations in accordance with its Framework Document and its Business Plan. The Chief Executive is responsible for the day-to-day management of LPS and makes periodic reports to the Minister on performance and progress.

The Permanent Secretary of the DFP provides support and guidance to the Chief Executive and advises the Minister on the strategic directions of LPS, the Corporate and Business Plan, the organisation's Key Performance Targets and the resources needed to achieve them.

Corporate Governance and Risk

The LPS Audit Risk Committee (ARC) exists to expose existing arrangements to greater scrutiny by independent and external experts, thereby improving advice to the Accounting Officer and Management Board as well as raising risk management, control and governance standards across the organisation.

Our business planning cycle is a fundamental part of the work carried out by the Business Services Directorate, which is responsible for developing and agreeing a timetable of events culminating with the production of the forthcoming year's Business Plan. Staff are involved in collating a wide range of information from across the Directorates. This includes drafting the content of the Business Plan

and developing the organisation's Corporate and Directorate Scorecards.

Risk Management

The LPS Management Board is responsible for risk management and ensuring that an effective management process is in place and that it is regularly reviewed. The ARC provides assurance to the Board that risks are being adequately managed, but will challenge the Board if it considers action is required.

The Management Board collectively agrees the risks to be included in the LPS Corporate Risk Register and assigns ownership of each risk to enable the organisation to improve its performance.

Employee Policies and Involvement

We recognise that our staff continue to be our most valuable asset. We are committed to DFP's policies on equal opportunity and responsibility for the employment and career development of all staff, regardless of gender, ethnic background or disability.

We seek to increase the potential of all our staff and operational managers through the implementation of our Human Resources and Training Strategy.

We continue to engage with our staff on a regular basis through team briefs, our staff e-zine, intranet, and management meetings. In addition, there were regular meetings between management and local employee representatives in line with our Whitley Constitution.

Equality of Opportunity

We follow the Northern Ireland Civil Service policy that all eligible persons should have equal opportunity for employment and advancement on the basis of ability, qualifications and aptitude for work.

Employees with Disabilities

We follow the Northern Ireland Civil Service Code of Practice for the employment of people with disabilities. We aim to make sure that disability is not a bar to recruitment or advancement.

Health and Safety

LPS continues to pay special attention to the welfare of staff and clients, including matters relating to their health and safety.

Our Human Resources Strategy recognises the importance of a healthy and safe working environment and we are committed to adhering to all existing legislation on health and safety. We have introduced a new Health and Safety Policy Statement, and continue to monitor and review existing policies to improve the health, safety and welfare of staff.

The LPS Health and Safety Committee is comprised of representatives from Trade Union and Management and meets four times a year. The Committee advises the Management Board and as such, it is the responsibility of Management Board to consider the advice provided and to action as appropriate.

Political and Charitable Donations

LPS made no political or charitable donations during the year.

Auditors

The financial statements are audited by the Comptroller and Auditor General in accordance with the Government and Resources and Accounts Act (Northern Ireland) 2001. All relevant information was made available to the Auditors. The Audit Certificate and Report is reproduced on pages 17-18.



David Sterling
Accounting Officer

23 February 2016

3.0 STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, DFP requires LPS to prepare for each financial year a Trust Statement ("the Statement") for the revenue and other income collected by the organisation. The Statement is required to be prepared on an accruals basis and to give a true and fair view of the Trust's state of affairs, revenues, discharges and cashflows for the financial year.

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the DFP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis.

DFP has designated the Permanent Head of the Department as the Accounting Officer for LPS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for the keeping of proper records and for safeguarding LPS's assets, are set out in the Accounting Officers' Memorandum issued by the DFP and published in Managing Public Money in Northern Ireland (MPMNI).

4.0 GOVERNANCE STATEMENT

- LPS was formed as an Executive Agency in April 2007, initially from the merger of the former Rate Collection Agency and the Valuation and Lands Agency. This was followed in April 2008 by the addition of the Land Registers of Northern Ireland and Ordnance Survey of Northern Ireland. In February 2013 the Minister for Finance and Personnel announced that LPS would cease to be an Executive Agency of the Department from 1 April 2013. From this date, LPS has continued its branding and delivered the same services, but as a business group within the Department. The Accounting Officer is responsible to the Minister of DFP for the organisation's performance and operates in accordance with the LPS Framework document and its Business Plan;
- The Chief Executive has responsibility for the overall day-to-day leadership and management of LPS, making regular reports to the Minister on performance and progress; and
- LPS Management Board is responsible for the strategic direction of the organisation by reviewing its strategic direction, monitoring performance at corporate level and ensuring that adequate governance controls are in place.

The Governance Statement sets out how this recommendation has been discharged throughout 2014-15.

4.1 Context

The context in which LPS governance arrangements are required to operate, is set out in the current Programme for Government 2011–15. These strategic priorities set the focus for all Northern Ireland Departments.

LPS is part of DFP. The overall aim of DFP is “to help the Executive secure the most appropriate and effective use of resources and services for the benefit of the community”.

The work we do makes a significant and positive difference to the everyday lives of all the citizens in Northern Ireland. We provide and support important public services by:

- Collecting over £1 billion in rates for the NI Executive to fund important public services provided by central and local government;
- Providing mapping services which are used widely across the public and private sectors informing policy development and enhancing service delivery;
- Administering various rate related reliefs including Housing Benefit, Rate Relief, Lone Pensioners Allowance, Disabled Pensioners Allowance and a number of business related reliefs to help those in need pay their rates and provide assistance to business;
- Monitoring domestic and non-domestic valuation lists;
- Providing a registration service for recording legal interests in land and providing land information for conveyancing purposes; and
- Delivering property valuations, estate management and property data services to the public sector.

4.2 Financial Management

Financial Management requires the LPS Board to play a significant part in the effective monitoring and management of the organisation's financial performance. LPS regularly reviews actual income and expenditure against budget to form the basis of collective Board decisions about the allocation and use of resource to ensure that the LPS financial management target of avoiding overspend and managing under spend within a tolerance of 1.5% is met.

The Head of Corporate Finance provides monthly financial management reports to the Board, providing advice and recommendations in the allocation of resources. This is supported by Directorates providing actual and forecast information and analysis of variance against budget, which enables the Board to assess the extent to which corrective action is needed to address the organisation's financial position.

4.3 Risk and Control Framework

Risk management within LPS continues to be an integral part of our business planning process. This includes identification of risk, assignment of ownership, presentation of the risk, mitigation, management, evaluation and review.

The Corporate Risk Register is an integral part of LPS Risk Management policy and approach. The Risk Register records the status of each high level risk and the actions being taken to address the risk.

The Corporate Risk Register is regularly reported to and monitored by the Board and LPS ARC. The ARC is chaired by one of its three independent members and functions in accordance with best practice contained in the HM Treasury Audit Committee Handbook.

The Management Board ensures the risk management and internal control are regularly reviewed and reported on in the following manner:

- All business areas use predetermined weightings and a standardised approach to risk assessment;
- Key risks identified at organisational level are documented on Risk Registers and are reviewed on a formal basis by the Management Board at least four times during the course of a year;

- LPS ARC formally reviews risks and controls on a regular basis;
- The ARC assesses the continued appropriateness of the respective risks and the means through which they are managed. The need to add, delete, delegate or promote risks is also determined in order to reflect the current business environment;
- Directors complete stewardship statements at the end of each financial year. Mid-year reports are the vehicle for ensuring the continued maintenance of registers during the year;
- Adherence to the Department's 'Whistle Blowing' policy;
- The Management Board receives periodic reports concerning internal control. The appropriate steps have been taken to manage risks in significant areas of responsibility and to monitor progress reports on key projects; and
- Key projects are managed within a programme environment. Each project is owned by the appropriate member of the Management Board and managed within the Prince2 project structure by a project manager who has been trained in this and risk analysis. The Gateway Review process has been implemented for priority projects.

The main risks associated with LPS are around not achieving the two key targets referred to in the Director's Report.

4.4 Organisation Performance

The LPS Business Plan 2014-15 set out the targets and objectives for the year against which performance is reported and monitored. Progress has been reported monthly to the Board, as part of the Corporate Performance using a Red/Amber/Green status assessment of each target and narrative on the actions taken to deliver the expected outcomes.

As part of the Corporate Performance Reports, the Board also receives, thoroughly reviews and seeks improvement to information on key organisational statistics. This relates to LPS performance in responding to Assembly Questions, Freedom of Information and Data Protection requests, prompt payment to suppliers, workforce planning, resourcing, absence management, procurement, contract activity and expenditure on areas of interest such as external consultancy and hospitality.

Progress against Key Departmental targets is also reported on a quarterly basis to DFP.

4.5 Level of Assurance

The Accounting Officer has responsibility for ensuring that a robust risk management system is in place, so that risks faced by LPS are identified and managed accordingly. The Accounting Officer is also responsible for reviewing the effectiveness of the system of internal control. The review is informed by the work of DFP's Internal Audit and Board members who have responsibility for ensuring that the controls and actions recommended are implemented.

The Department's Internal Audit has carried out an extensive programme of work during 2014-15. These reports provide an objective and widespread assessment of the systems of internal control in operation across LPS, together with prioritised recommendations to strengthen controls and implement further improvements.

In his Annual Assurance Report, the Head of Internal Audit provides LPS with a satisfactory level of assurance. This is the sixth successive year that LPS has received this level of assurance from Internal Audit on its systems of control and governance. A synopsis of the main findings from each audit was provided to ARC, and all of the audits were provided with a satisfactory audit opinion.

Internal Audit did not give any limited or unacceptable opinion's during 2014-15.

4.6 Fraud Prevention and Assurance

LPS takes a zero tolerance approach to fraud and will report instances of fraud to the PSNI, if necessary. LPS also participates fully in the National Fraud Initiative by investigating matches in relation to payroll, pensions, trade creditors, rates and housing benefit data.

As an NIAO recommendation, a quarterly standard assurance report on Housing Benefit Fraud and Error is now a standing item at LPS ARC.

This focuses on quality checks, assessor support, remedial training, improved caseload and management through risk based reviews and interventions, benefit uprating and cleansing, training in decision making appeals and fraud awareness.

Whistle blowing arrangements are in place and can be used to raise concerns about alleged impropriety, wrongdoing, corruption, fraud or malpractice.

4.7 Significant Internal Control Problems

Housing Benefit Fraud and Error

The NI Comptroller and Auditor General qualified his opinion on the 2013-14 LPS Trust Statement due to limitation in audit scope over the regularity of housing benefit expenditure administered on behalf of the Department for Social Development due to the material levels of fraud and error, and this qualification has been retained for the 2014-15 Trust Statement. LPS monitor housing benefit financial accuracy as a key target and several actions have been instigated in order to reduce the level of fraud and error which include:

- Recruitment to increase Housing Benefit staffing complement;
- Creation of a team within Housing Benefit to quality assure work;
- Automation of ATLAS messages.

Suspected Fraud

During December 2015 LPS discovered and reported to DFP Internal Audit and NIAO an incidence of suspected fraud carried out by one member of staff. The suspected fraud involves the member of staff falsely forging documentation in relation to temporary incapable exemptions, that allowed them to amend rate accounts and issue refunds to a person suspected of being related to the member of staff. The case was referred to Internal Audit Fraud Investigation Unit, who subsequently passed the details to the PSNI for investigation.

4.8 Conclusion

Taking into account all of the arrangements set out in this Governance Statement, LPS has an effective governance structure in place and has satisfactory systems of internal control which have operated effectively throughout 2014-15.



David Sterling

Accounting Officer

23 February 2016

5.0 CERTIFICATE OF THE COMPROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Land & Property Services' Trust Statement – Rate Levy Accruals Account for the year ended 31 March 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Land & Property Services' Trust Statement – Rate Levy Accruals Account and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Land & Property Services; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and revenue recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for Qualified Opinion on regularity arising from erroneous housing benefit awards and payment of fraudulent claims

The total amount paid in housing benefit is £42.3 million. As reported in Note 12 to the financial statements the level of error is estimated to be £7.3 million and the level of fraud is estimated to be £1.3 million. The housing benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Assembly and also because fraudulent transactions are by definition irregular since they are without proper authority. In addition both over and under payments arising from official error are irregular because they have not been calculated in accordance with the primary legislation which specifies the entitlement criteria for this benefit and the method used to calculate the amount to be paid.

I have therefore qualified my opinion on the regularity of housing benefit expenditure because of the estimated levels of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Assembly and because of the level of overpayments and underpayments due to official error in such benefit expenditure which are not in conformity with the authorities which govern them.

Qualified Opinion on regularity

In my opinion, except for the £8.6m of estimated fraud and error in housing benefit expenditure, in all material respects the expenditure and revenue recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Land & Property Services' Trust Statement – Rate Levy Accruals Account as at 31 March 2015 and of the revenue, expenditure and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Director's Review and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

My detailed observations are included in my report attached to the financial statements.



KJ Donnelly
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU
Date: 26 February 2016

6.0 STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2015

		2014-15	2013-14
	Note	£'000	£'000
REVENUE:			
Rate Revenue	1.1, 2	1,366,351	1,325,997
Other Revenue	2	2	2
Total Revenue		1,366,353	1,325,999
EXPENDITURE:			
Reliefs and Discharges			
Vacancies	1.2, 3	56,101	54,881
Housing Benefit	1.2, 12	42,350	40,615
Rate Reliefs and Discharges	1.2, 3	43,909	42,519
Transitional Relief	1.2	(14)	(27)
Maximum Capital Value	1.2	7,520	7,137
Allowances	1.2	10,730	10,170
Discounts	1.2	4,961	4,665
Credit Losses – debts written off or otherwise impaired	4	21,898	26,918
Rating of Empty Homes Discharge	1.2, 1.8	1,500	6,982
Total Reliefs and Discharges		188,955	193,860
Net Revenue for Consolidated Fund		1,177,398	1,132,139

7.0 STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2015

	Note	31 March 2015	31 March 2014
		£'000	£'000
Non-Current Assets:			
Receivables falling due after more than one year	5	236	193
Current Assets:			
Receivables	6	121,841	123,489
Cash and Cash Equivalents	7	<u>6,555</u>	<u>2,582</u>
Total Current Assets		128,396	126,071
Total Assets		128,632	126,264
Current Liabilities			
	8	<u>(15,332)</u>	<u>(15,228)</u>
Net Asset		113,301	111,036
Total Assets less Current Liabilities		113,301	111,036
Represented by:			
Balance on Consolidated Fund Account	9	113,301	111,036

The notes on pages 22 to 28 form part of these financial statements.



David Sterling

Accounting Officer

23 February 2016

8.0 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

		2014–15	2013–14
	Note	£'000	£'000
Net Cash flow from operating activities	A below	1,179,106	1,137,623
Cash paid to Consolidated Fund	9	(1,175,133)	(1,138,097)
Increase (Decrease) in cash in this period		3,973	(474)
Notes to the Cash Flow Statement			
A: Reconciliation of Net Cash Flow Movement in Net Funds			
Net Revenue for the Consolidated Fund	9	1,177,398	1,132,139
Decrease/(Increase) in Non-Cash Assets		1,604	5,308
Increase/(Decrease) in Liabilities		104	176
Net Cash Outflow from Operating Activities		1,179,106	1,137,623
B: Analysis of Changes in Net Funds			
Increase/(Decrease) in cash in this period	7	3,973	(474)
Net Funds at 1st April (Net Cash at Bank)	7	2,582	3,057
Net Funds at 31st March (Closing Balance)		6,555	2,582

The notes on pages 22 to 28 form an integral part of these financial statements.

9.0 NOTES TO THE TRUST STATEMENT ACCOUNTS

9.1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2014–15 Government Financial Reporting Manual (FReM) issued by the DFP. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of LPS for the purpose of giving a true and fair view has been selected. The particular policies adopted by LPS for 2014-15 are described below. They have been applied consistently in dealing with items that are considered material to the Accounts. Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early, for these Accounts. Management consider that these are unlikely to have any significant impact on the Accounts in the period of initial application.

9.1.1 Revenue Recognition

Revenue is measured at the fair value of the amounts received and receivable. Revenue is recognised in the year in which it is assessed on ratepayer properties when revenue can be measured reliably and it is probable that the economic benefits from the Rates Revenue will flow to the Consolidated Fund. The revenue figure is also adjusted for Certificates of Revision which are received from Valuations with an effective date of revision.

9.1.2 Reliefs and Discharges

Reliefs and Discharges are recorded in the year based on the information received from ratepayers. Accrued estimates of Reliefs and Discharges are calculated at the year end based on the amount of Reliefs outstanding at the year end.

The types of Reliefs and Discharges included in the Statement of Revenue and Expenditure are: Exemptions from Vacancies; Housing Benefits; Transitional Reliefs; Maximum Capital Value; Discounts; Article 20 and 21 Landlord Allowances; Rate Reliefs and Discharges; and Rating of Empty Homes Discharge.

Rate Reliefs and Discharges include:

- Disabled Persons Allowances (DPA)
- Owner Occupier Lone Pensioner Allowance (LPA), Private Rented LPA, Northern Ireland Housing Executive (NIHE) LPA and NIHE Housing Association LPA;
- Owner Occupier Rate Relief, Private Rented Rate Relief, NIHE Rate Relief and NIHE Housing Association Rate Relief;
- Residential Home Relief;
- Small Business Rate Relief;
- Full Time Education Relief; and
- Farm Diversification.

9.1.3 Debtors

Debtors are shown net of impairment in accordance with the requirements of IAS 39. With the exception of Cash Receivables as a result of the Rates Deferment Scheme all Cash Receivables have been disclosed as collectable within twelve months after the reporting period. This disclosure does not currently meet the requirements of IAS 1 which require disclosure of amounts expected to be recovered:

- No more than twelve months after the reporting period; and
- More than twelve months after the reporting period.

As the IT system used for Rate Levy and Collection by LPS does not currently have the capability to provide this information. This reporting requirement will be addressed in any future rating IT replacement system.

9.1.4 DFP Resource Accounts

Administration costs and transactions (Non-Current Assets, Payment of Interest to Ratepayers; Legal Costs and Fees, and Cost of Collection) are accounted for in the DFP Resource Accounts and are covered by its related accounting policies. These transactions do not form a part of the Trust Statement.

9.1.5 Financial Instruments

Financial assets and liabilities are recognised in LPS Statement of Financial Position when the organisation becomes party to the contractual provisions of the instrument.

Financial Assets

Financial assets are classified into the following specified categories: 'fair value through profit or loss' ('FVTPL'); 'available-for-sale' ('AFS') financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets at the time of initial recognition. LPSs financial assets are classified as Loans and Receivables and are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

LPS assess at each Statement of Financial Position date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. Based on historic experience, receivables that are past due beyond 365 days are generally recoverable. The organisation measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset, discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Statement of Revenue and Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

When a financial asset is deemed irrecoverable, the amount of the asset is reduced directly and the impairment loss is recognised in the Statement of Revenue and Expenditure to the extent that a provision was previously recognised.

Financial Liabilities

Financial Liabilities are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

9.1.6 NIHE Administration Expenses

A new rate relief scheme was introduced in Northern Ireland on 1 April 2007. Legislation provided that the relief would be administered by the Northern Ireland Housing Executive (NIHE) on the LPS's behalf for its own tenants, private tenants or tenants of registered housing associations. LPS meets the administration costs of the scheme which are included in the DFP resource account.

9.1.7 Accounting Estimates

As a result of the uncertainties inherent in all business activities, many items in financial statements cannot be measured with precision but can only be estimated. Where estimates have been required in order to prepare these financial statements in conformity with FReM, management have used judgements based on the latest available, reliable information. Management continually review estimates to take account of any changes in the circumstances on which the estimate is based or as a result of new information or more experience.

9.1.8 Rating of Empty Homes

On 1st October 2011, Rating of Empty Homes went live. Before this date, vacant domestic properties were assessed and fully discharged so no liability arose on the owner. However, since the new policy went live all vacant domestic properties are assessed in the usual way and assessments are issued to property owners.

There are several application based and automatic exclusions attached to the scheme and the discharge is shown in the Statement of Revenues, Reliefs and Discharges.

9.1.9 Comparatives

The 2013–14 comparatives are shown within these Accounts.

9.2 REVENUE

Rate Revenue is recognised in the year in which it is assessed on ratepayer properties. The revenue figure is also adjusted for Certificates of Revision which are received from Valuations with an effective date of revision.

9.3 VACANCY DISCHARGE AND RATE RELIEF

Below is a detailed analysis of the vacancy discharge and Rate Relief and Other Discharge figures in the statement of Income and Expenditure:

	2014–15	2013–14
	£'000	£'000
Vacancies		
Non Domestic Vacant Rating	55,427	54,238
Domestic Vacant Rating	5	10
Empty Property Relief	669	633
	56,101	54,881
	2013–14	2012–13
	£'000	£'000
Rate Reliefs and Other Discharges		
Disabled Persons Allowance	3,093	3,033
Residential Home Relief	9,384	9,539
Domestic Rate Relief	8,051	7,835
Low Carbon Homes Scheme	28	75
Full Time Education Relief	2	7
Non Domestic Hardship Relief	3	4
Small Business Rate Relief	18,086	17,247
Lone Pensioners Allowance	5,262	4,779
	43,909	42,519

9.4 CREDIT LOSSES

	2014–15	2013–14
	£'000	£'000
Bankruptcies*	7,809	10,185
Liquidations	4,366	3,854
Other Irrecoverables	13,138	17,322
Change in the value of impairments	(3,415)	(4,443)
	21,898	26,918

*Includes Individual Voluntary Arrangements of £770,156 in 2014/15 (£941,830 in 2013/14).

Credit Losses are the amounts reportable to the NI Assembly under rules on disclosure of Losses and Write-Offs in Managing Public Money Northern Ireland (MPMNI) Annex A.4.10.24 under the 'Claims waived or abandoned'.

9.5 NON CURRENT ASSETS

	2014–15	2013–14
	£'000	£'000
Rate assessments receivable >1 year	229	189
Interest accrued on rate assessment debt	7	4
	236	193

During the year ended 31 March 2011, LPS implemented a new 'rate deferral' scheme which allowed ratepayers to enter into a legal agreement with LPS to defer payment of rate assessments until a later date. Rate assessments receivable > 1 year represent assessments raised against ratepayers who have legally entered into this scheme.

LPS holds security by way of a statutory charge over the property for which the rate assessments are deferred. Therefore, there has been no provision for bad debt against these rate assessments.

All debt is due to the Consolidated Fund when realised.

9.6 RECEIVABLES AND OTHER CURRENT ASSETS

9.6.1 Amounts Due

	2014–15	2013–14
	£'000	£'000
Rate Debtors before estimated impairments	156,423	162,072
Less: estimated impairments (see note 9.6.2)	(36,567)	(39,982)
	119,856	122,090
Other Debtors	2	-
Accrued Income	1,974	1,376
Due from LPS business account	10	23
	121,841	123,489

Rate debtors represent the amount due from ratepayers where assessments have been raised but not paid for as at 31 March 2015.

All debt will be due to the Consolidated Fund when realised.

9.6.2 Impairment of Trade Receivables

The following table shows the impairment of trade receivables at the Statement of Financial Position date:

	2014–15	2013–14
	£'000	£'000
Balance as at 1 April	39,982	44,426
(Decrease)/Increase in estimated value of impairments	(3,415)	(4,444)
Balance as at 31 March	36,567	39,982

Debtors in the Statement of Financial Position are reported after the deduction of the estimated value of Impairments. This provision has been set using analysis of the quality, type of debt and its likelihood of collectability. The assessment of collectability is supported by management judgement

9.7 CASH AND CASH EQUIVALENTS

	2014–15	2013–14
	£'000	£'000
Balance as at 1 April	2,582	3,057
Net change in cash and cash equivalent balances	3,973	(474)
Balance as at 31 March	6,555	2,582
The following balances at 31 March were held at Commercial banks and cash in hand		
Balance as at 31 March	6,555	2,582

9.8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2014–15	2013–14
	£'000	£'000
Rating Creditors	9,142	11,641
Other Creditors	1,842	1,242
Accruals	962	1,584
Due to LPS business account	386	359
Deferred Income*	3,000	402
Total	15,332	15,228

*The deferred income relates to a payment that was made by a ratepayer against their 2015/16 rate liability

9.9 BALANCE ON CONSOLIDATED FUND ACCOUNT

	2014–15	2013–14
	£'000	£'000
Balance on Consolidated Fund Account as at 1 April	111,036	116,994
Net Revenue for the Consolidated Fund	1,177,398	1,132,139
Less: Amount paid to Consolidated Fund	(1,175,133)	(1,138,097)
Balance on Consolidated Fund Account as at 31 March	113,301	111,036

9.10 RELATED PARTY TRANSACTIONS

LPS is a business group within the DFP. The DFP is regarded as a related party. During the year, LPS paid over £1.175 billion to the Consolidated Fund Account.

During the year LPS issued material rating invoices to various other government departments and central government bodies in the normal course of its business. In addition, LPS paid £3,992,607 to the Northern Ireland Housing Executive (NIHE) acting as a landlord under Article 21 in respect of payment of rates on properties owned by the NIHE.

During the period, none of the board members, members of the key management staff or other related parties have undertaken any material transactions with the organisation.

9.11 EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting date and the date when the Accounts were signed which require adjustment to the financial statements or disclosure within them.

The Accounts were authorised for issue on 26 February 2016.

9.12 FRAUD AND ERROR

LPS administers Housing Benefit on behalf of the DSD. Levels of fraud and error in Housing Benefit for owner occupiers are reported by the Disability, Incapacity & Benefit Security Directorate Standards Assurance Unit of the Social Security Agency through Benefit Reviews, which measure Official Error, Customer Fraud and Customer Error.

The Department for Social Development issued two reports 'Housing Benefit Review (Customer Error and Customer Fraud)' and 'Housing Benefit Review Financial Accuracy Official Error' for the calendar year 1 January 2014 to 31 December 2014 in March 2014. These reports highlighted errors amounting to £7.3 million (£2.7 million customer error overpayment, £0.4 million official error underpayment and £4.2 million official error overpayment) and £1.3 million customer fraud in Housing Benefit for owner occupiers. This represents approximately 20.4% of the related expenditure for the calendar year. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Reviews in 2014.

10 ANNEXES

ANNEX 1: Summary statement of rate levy and collection

	2014–15		2013–14	
	£m	£m	£m	£m
Debtors at 1 April				
Prior year adjustment – debits brought forward				
Amended Debits brought forward		162.3		168.3
Assessments during year		1,366.4		1,331.1
Credit carried forward to next period		9.1		11.6
		1,537.8		1,511.0
Less: Discharged during the year				
Credits brought forward from last year				
Prior year adjustment – credit brought forward				
Amended credit brought forward	11.6		11.2	
Net receipts (i.e. receipts less refunds)	1,175.5		1,137.2	
Vacancies	0.3		0.2	
Rebates/Rate Relief/DPA/LPA/EEHS	82.0		78.8	
Residential Home Relief	9.4		9.5	
Non-Domestic Vacant Rating Relief	52.2		51.4	
Allowances	10.7		10.2	
Discounts	5.0		4.7	
Written-off as Irrecoverable	25.3		31.6	
Transitional Relief/Capping	7.5		7.1	
Rating of Empty Homes	1.5		7.0	
		1,381.0		1,348.9
Debtors at 31 March		156.8		162.1

Note 1: The Statement of Rate Levy and Collection (SRLC) forms the basis of the Rate Levy Accruals Account, which has become the official accounting record from 2010–11, and replaces the SLRC. The SLRC 2014-15 has been included in this Annual Report for information purposes only.

ANNEX 2: Summary of 2014-15 rate collection

Target: 96.5% of the net collectable rate collected based on April 2014 assessments (as at 31 March 2015)

Council	April 2014 Assessments	Balance	Collected/ Discharged	% Collected/ Discharged
	£	£	£	£
Antrim	40,746,547	927,354	39,819,192	97.7
Ards	44,920,031	1,270,247	43,649,784	97.2
Armagh	33,776,554	1,419,870	32,356,684	95.8
Ballymena	45,674,532	955,025	44,719,507	97.9
Ballymoney	14,630,090	377,918	14,252,172	97.4
Banbridge	26,632,946	1,069,784	25,563,162	96.0
Belfast	321,502,381	12,281,675	309,220,706	96.2
Carrickfergus	24,145,399	779,685	23,365,714	96.8
Castlereagh	44,622,639	748,814	43,873,825	98.3
Coleraine	45,383,535	1,049,555	44,333,980	97.7
Cookstown	20,064,152	806,071	19,258,081	96.0
Craigavon	57,964,216	1,872,343	56,091,873	96.8
Derry	78,791,606	2,547,926	76,243,680	96.8
Down	41,198,330	1,667,979	39,530,350	96.0
Dungannon & South Tyrone	29,379,234	1,159,587	28,219,647	96.1
Fermanagh	37,530,561	1,485,948	36,044,613	96.0
Larne	22,399,068	351,958	22,047,110	98.4
Limavady	17,790,252	695,444	17,094,808	96.1
Lisburn	77,485,479	2,705,011	74,780,468	96.5
Magherafelt	20,691,968	755,169	19,936,800	96.4
Moyle	10,595,452	242,068	10,353,385	97.7
Newry & Mourne	61,498,123	3,060,572	58,437,551	95.0
Newtownabbey	58,860,894	1,001,998	57,858,896	98.3
North Down	59,848,665	1,543,552	58,305,112	97.4
Omagh	30,457,044	1,124,852	29,332,192	96.3
Strabane	19,016,320	857,346	18,158,974	95.5
Total	1,285,606,016	42,757,751	1,242,848,265	96.7

April 2014 Assessments represent rating assessments for the 2014-15 year.

Balance represents the balance still outstanding from these assessments as at 31 March 2015.

Collected/Discharged represents the amount of the assessments that have been collected from ratepayers or discharged through one of the reliefs.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL
LAND & PROPERTY SERVICES
TRUST STATEMENT
RATE LEVY ACCRUALS ACCOUNT 2014–15

Introduction

1. This report explains:
 - the background to the levels of fraud and error in Housing Benefit expenditure administered by Land & Property Services (LPS);
 - the basis of my qualified audit opinion on the 2014-15 Trust Statement prepared by LPS in respect of the Rate Levy Accruals Account;
 - the actions LPS is taking to reduce levels of fraud and error; and
 - provides an update on some other matters that had previously been considered by the Public Accounts Committee in 2012.
2. I am required under 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'.
3. LPS administers Housing Benefit¹ for rates in respect of owner occupiers on behalf of the Department for Social Development (DSD). Unlike all other Social Security benefits where payments are made, LPS administers £42.3 million of Housing Benefit in Northern Ireland by offsetting Housing Benefit against the rate accounts of people who own their own house and 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 payments amounting to 20.4 per cent of LPS total Housing Benefit expenditure (compared to 16.2 per cent last year).
4. I considered that the level of fraud and error in Housing Benefit expenditure continued to be material. Therefore, as in previous years, my regularity audit opinion on this benefit expenditure continues to be qualified.

Arrangements for Monitoring and Reporting Housing Benefit Fraud and Error

5. DSD's Standards Assurance Unit (SAU) regularly monitors and measures the estimated levels of fraud and error within the Benefit system, including Housing Benefit. In order to do this, statisticians from its Analytical Services Unit randomly select samples of ongoing benefit claims and SAU subject them to detailed examination for evidence of official error², customer error and customer fraud. The results of this testing are then used to estimate the total level of fraud and error.
6. DSD points out that the estimation of fraud and error is by its nature subject to uncertainty because it is based on sample testing. Estimates do, however, represent the best measure of fraud and error available at present. In order to facilitate the timetable for the production of financial statements, SAU's testing on payment accuracy is reported on a calendar year basis, not on a financial year basis. I am satisfied that this is reasonable.
7. As part of my audit of DSD, I examined the work undertaken by SAU to assess the levels of fraud and error within the Benefit system, including Housing Benefit. My staff examined and re-performed a sample of their case work during the year and also reviewed the methodologies they applied in carrying out these exercises. I am content that results produced by the SAU are a reliable estimate of the total fraud and error in the benefit system.

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.

² The SAU methodology does not take into account the effect a reduction in entitlement to Housing Benefit has on the ratepayers entitlement to Rate Relief.

Basis of Qualification

8. The levels of fraud and error, when extrapolated, for Housing Benefit administered by LPS for the year 1 January 2014 to 31 December 2014, reported by SAU in March 2015 highlighted estimated levels of fraud of £1.3 million and error of £7.3 million. Figure 1 and Figure 2 below show that the level of error has increased from £3.4m in 2010 to £7.3m in 2014, an increase of 115 per cent over the five year period.
9. It also shows an increase of 223 per cent in overpayments³ attributable to official error and a 100 per cent increase in underpayments due to official error over the five year period.
10. Furthermore, it indicates significant rises in customer fraud (62 per cent) and in overpayments (42 per cent) attributable to customer error over the same five year period.
11. I am disappointed that the levels of error and fraud have continued to rise over the five year period despite efforts by LPS to identify the reasons and put appropriate countermeasures in place.

Increasing levels of fraud and error

12. LPS advised me that the increase in the official error rate in 2014 could be attributed to a variety of reasons, the primary one of which was the significant increase in workload during the period (143,000 transactions) arising from the introduction in January 2012 of real time Changes in Circumstances (CiCs) delivered through the Automatic Transfer to Local Authority System (ATLAS). This identified a significant number of additional changes to be applied to Housing Benefit entitlement which were not previously captured, the scale of which has taken a number of years to address.
13. Furthermore, the significant staff turnover during the period (32 out of 104 staff left the Housing Benefit branch in the 18 month period to 31 March 2014) greatly reduced experience levels and had a detrimental impact on the ability of the Housing Benefit team to carry out the required work. Associated with this, the time required to train and build the skills base of new members of staff meant that they were not fully productive and equipped to deal with the increased workload for approximately one year. Finally there was a significant lead-in time for the development and implementation of an IT automation solution to assist with the processing of ATLAS changes. By the end of 2014-15, 29.9 per cent of all ATLAS messages had been automated. Work continues to increase this percentage.

Figure 1: Estimated fraud and error in Housing Benefit administered by LPS (Note 12⁴) deemed to be irregular

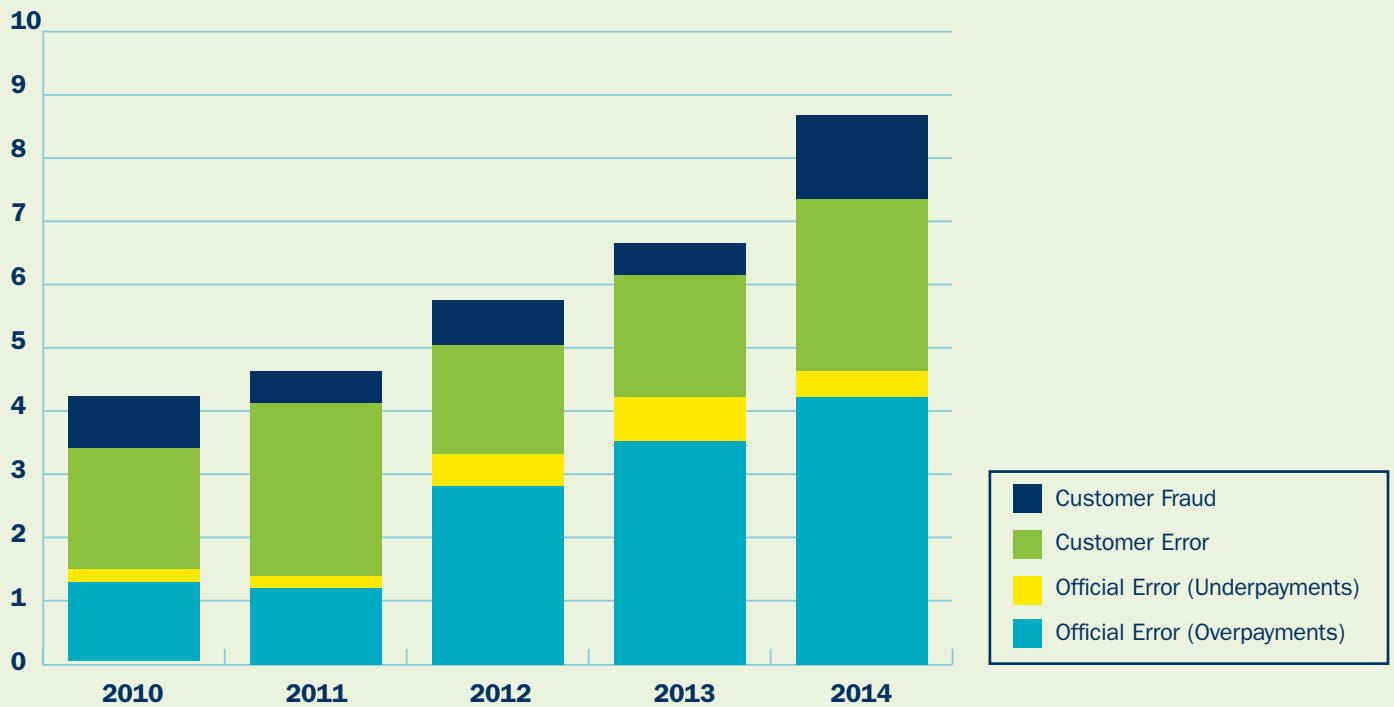
	2014	2013	2012	2011	2010
	£ million	£ million	£ million	£ million	£ million
HB Administered	42.2	40.7	41.2	40.1	38.5
Error					
Official Error (Overpayment)	4.2	3.5	2.8	1.2	1.3
Customer Error (Overpayment)	2.7	1.9	1.7	2.7	1.9
Official Error (Underpayment)	0.4	0.7	0.5	0.2	0.2
Total	7.3	6.1	5.0	4.1	3.4
% of Housing Benefit	17.3%	15.0%	12.1%	10.2%	8.8%
Fraud					
Customer Fraud	1.3	0.5	0.7	0.5	0.8
Total	1.3	0.5	0.7	0.5	0.8
% of Housing Benefit	3.1%	1.2%	1.7%	1.3%	2.0%

Source: Analytical Services Unit, DSD

³ Overpayments are added back onto the rate account and collected as part of the normal rating process.

⁴ Note 12 to the Trust Statement includes customer error underpayments of £0.3million which are not irregular transactions. This is consistent with the approach adopted in the DSD benefit regularity qualification for 2014-15.

Figure 2: Breakdown of over/underpayments 2010 - 2014



14. My previous reports detailed particular differences between Housing Benefit for owner occupiers and all other 'means tested' social security benefits. I acknowledge that, in particular all other 'means tested' Social Security benefits have a maximum two week payment period whereas LPS awards are for the rating year in which the award is made, with a maximum of one year in advance.
15. Where an overpayment has occurred, LPS will reassess the liability for rating year and issue the customer with a revised rate bill once the change has been processed. I note that ratepayers' entitlement to Rate Relief may increase if their Housing Benefit reduces.
16. LPS considers that the results of its own Housing Benefit Quality Assurance Team's checks are more appropriate than those of SAU. LPS report payment accuracy levels of 94.1 per cent compared to 89.1 per cent reported by SAU.

Actions to reduce levels of fraud and error

17. I asked LPS what steps it is taking to address the trend of increasing levels of fraud and error and they told me that they have taken several actions including the ongoing review and improvement of staff training. A dedicated team of 3 trainers has been working closely with Housing Benefit staff to increase knowledge and update procedures accordingly. In addition, LPS has continued to maintain and improve its own quality assurance processes, which are based upon an examination of 10 per cent of all claim actions performed. LPS has also recruited and trained additional staff to manage increasing workloads, and resource the improved quality assurance arrangements, but the benefits have not been fully reaped due to the lead in time for training and building the required skills (up to one year).
18. Furthermore, a dedicated team has been established to proactively identify and review high-risk cases, to ensure all relevant information is present and up to date. The establishment of this team enables LPS Housing Benefit staff to address the historic cases which currently account for up to 56 per cent of the estimated errors identified by SAU. This team has so far reviewed 4,312 cases and work is continuing alongside the National Fraud Initiative to identify fraud and error in the liveload.

19. LPS has also implemented an IT solution which automates the processing of ATLAS messages. For the period 01 April 2014 to 31 March 2015, of the 143,357 ATLAS messages received, 42,854 (29.9%) ATLAS transactions have been completed by the system without the need for manual intervention. A temporary embargo on elective transfers by staff seeking to move out of the Housing Benefit Unit was put in place from April 2014 to retain the skills and experience of existing staff.
20. LPS informed me that the steps outlined are part of a programme of improvement that will take a number of years to yield the required benefits to reduce the level of fraud & error significantly. LPS is currently assessing the impact of the Voluntary Exit Scheme (VES) on staffing levels across the organisation and will prioritise the protection of Housing Benefit, to preserve the experience and resources in that section.
21. Despite these actions, I am concerned that the level of fraud and error has continued to rise very significantly over the past 5 years.

Other Matters

22. I gave an undertaking to the Public Accounts Committee at its meeting on 24 October 2012 to continue to monitor progress on the recommendations made in its report. Therefore, I have provided an update in the following paragraphs on particular issues raised in the report.

Outstanding Valuation Caseload

23. There has been a rise in the outstanding non-domestic valuation caseload with 5,041 cases outstanding at 31 March 2015 (4,282 cases at 31 March 2014). However, this must be set in the context of the additional work LPS were required to undertake in preparation for Revaluation 2015 which involved the revaluation of approximately 73,000 non-domestic properties.
24. I also noted that the estimated impact on the rate revenue figure of the outstanding domestic and non-domestic caseload at 31 March 2015 is no more than £5.9 m (£4.8 million at 31 March 2014).

Vacancy Discharges

25. LPS continued to undertake a programme of inspections of vacant properties in conjunction with local councils. The percentage of properties inspected was maintained at 15% despite a reduction in the number of local councils participating in the exercise from 14 in 2013-14 to 10 in 2014-15.
26. The results of the inspection programme indicated that the level of error in vacancy discharges applied by LPS to ratepayer accounts was no more than £1.645m (£3m in 2013-14). This level of error is significant in terms of the overall vacancy discharge figure.

Ratepayer Debt

27. The level of ratepayer debt at year end has fallen for the second consecutive year from £162.1 million at 31 March 2014 to £156.4 million at 31 March 2015. In addition the debt written off in year has fallen from £31.6 million in 2013-14 to £25.3 million in 2014-15 whilst the impairment of debt also fell by £3.4 million in year from £44.4 million at 31 March 2014 to £40.0 million at 31 March 2015. This is an encouraging development.

Conclusion

28. I consider the estimated levels of fraud and error in Housing Benefit expenditure administered by LPS to be exceptionally high. I have therefore qualified my audit opinion on the regularity of this benefit expenditure contained within the LPS Trust Statement – Rate Levy Accruals Account 2014-15.
29. LPS has put in place a number of practices designed to reduce the overall level of debt. However, debt levels remain significant and I would urge LPS to continue these practices in an endeavour to maximise the revenue available to the Northern Ireland Executive in pursuit of its commitment to economic and social development in Northern Ireland.



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