



Ryedale District Council

Certification of claims and returns 2013/14

Annual Report

February 2015

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# Executive summary

We have pleasure in setting out in this document our report to the Overview and Scrutiny Committee of Ryedale District Council (“the Council”) on our certification work for the year ended 31 March 2014. This report summarises the principal matters that have arisen from our work. It is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention.

This year only one item has required certification, being the housing benefit subsidy claim. This year the claim excluded council tax subsidy, hence only two benefit types were tested.

Our testing revealed a number of minor errors of both underpayment and overpayment of benefit, across both types of benefit. The individual errors ranged from a few pence to £640. Overall the claim adjustment have nil impact and a qualification letter was submitted to the Department for Work and Pensions (“DWP”) setting out the various errors found.

Given the nature of the benefits system, with a high volume of low value transactions, there will always be an element of human error. This year revealed less errors than last year, partly as a result of council tax subsidy being excluded from the claim, and none of the errors found highlight any significant control weaknesses.

There is a risk that the errors noted in the qualification letter could be used by DWP to reclaim an element of subsidy so it is important to understand and address the errors found.

More detail on our testing and the errors noted can be found in section 3 and our specific recommendations can be found in section 4.

# 1. Grant claims and returns certified for 2013/14

The following claim has been certified and delivered to the appropriate authority within the relevant deadline:

<b>Claim</b>	<b>Value of Claim</b>	<b>Date received</b>	<b>Date certified</b>	<b>Certification deadline</b>	<b>Adjustments required</b>	<b>Qualification letter issued</b>
Housing benefit subsidy	£12m	28/07/14	27/11/14	30/11/14	Yes	Yes

## Notes

- A further grant for the Homes and Communities Agency was certified this year outside the Audit Commission contract.
- Section 2 provides details of adjustments and qualifications required.
- An analysis of certification fees is shown in Appendix 1 to this letter.

## 2. Adjustments and qualification letter issued

The following adjustments have been made prior to certification by the auditor and a qualification letter has been issued.

### **Adjustments**

- The housing benefit subsidy claim required two minor adjustments which gave rise to nil overall change in the claim – see section 3 for commentary.

### **Qualification letter issued**

- A letter was issued in respect of the housing benefit subsidy claim. Four different categories of error were reported in this year's letter to the Department for Work and Pensions (2012/13: nine categories). Where errors cannot be adjusted in the claim form, they are extrapolated from the testing sample across the whole benefit population. The total extrapolated error reported in the letter was £6.

# 3. Commentary on housing benefit subsidy claim

## Certification approach

- Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2014 instructions, a Modular Approach was used to certify the claim. A planning meeting was held with key Council benefits staff in June 2014.
- The “system parameters” specified by the National Audit Office (ie this year’s benefit rates and allowances) were agreed to those in use at the Council.
- Electronic workbooks supplied by the Audit Commission were used to test a sample of cases for each of the two relevant benefit types (non-HRA rent rebates and rent allowances) for the Council. A sample of 20 was used for rent allowances and 15 for non-HRA rent rebates as a result of the small population for this type of benefit.
- Where errors are found in our initial testing, the certification instructions require extended testing of a further 40 cases (for populations over 100 cases) or 100% of cases (for populations under 100 cases) in the specific area of the error. Extended testing is performed in each instance where an initial error is found, and where prior year errors were found. This year eight sets of extended testing were performed (2012/13: twelve sets).
- A review of the Northgate software controls was also performed.
- Our initial testing of 35 cases noted two errors across the two benefit types (2012/13: 53 cases - two errors).
- As a result of the errors found in our initial testing, extended testing was required and nine further errors were noted (2012/13: 54 errors). Furthermore 20 instances of incorrect disclosure were noted in recording backdated claims on the claim form.
- There were instances of both underpayment and overpayment of benefit in the errors noted above, ranging from a few pence to £640.
- The following is a summary of the errors noted in our combined testing:
  - incorrect income details recorded/calculated;
  - incorrect eligible rent recorded;
  - incorrect student loan recorded;
  - incorrect rent officer referral start date recorded; and
  - incorrect disclosure in the claim for backdated amounts.

## 4. Observations and recommendations arising from our certification work

### Housing benefit subsidy claim – prior year matters raised and follow-up

	Observation and recommendation in 2012/13	Update in 2013/14
1	<p>The internal quality checking process could be improved by being more focussed. Currently 3 new claims are checked each week, with the intention of spreading these across the assessors. However, risks also exist around the accuracy of assessment of changes in circumstances calculations. The checking could be better targeted at areas where known errors exist (for example, homelessness claims, claims with earnings, student cases) and the results of checking could feed into the training program to pinpoint areas of improvement for individual assessors and the service as a whole.</p> <p>We recommend that the authority adopt a risk based claims checking process, spreading across assessors, new claims and changes in circumstances, and focusing on different, higher risk aspect of claims and clearly documents the findings from its checks.</p>	<p>As our procedures are specified by the Audit Commission, we did not formally review the checking processes implemented by the Council. However, we would continue to emphasise the benefits of targeted checking on the basis of known common errors identified through our testing.</p>
2	<p>The Council is assessed on the level of “Local Authority (LA) error” arising from processing claims, and subsidy is available for Councils which minimise this type of error. In the 2012/13 final claim, the Council was entitled to £60,481 of LA error subsidy. If the level of LA error increased above £70,721, the Council would lose £36,289, being 60% of this subsidy, and above £79,561 100% of this subsidy would be lost. This year the threshold was not breached by £1,890. Note, these thresholds vary year on year, depending on the level of benefit expenditure.</p>	<p>Two new assessors were hired in Sept 2014 and begun to reduce the backlog, extending different assessment methodologies such as face-to-face assessment at Ryedale House.</p> <p>The level of extrapolated error is much lower this year at £6 and has therefore not impacted the LA error threshold. The Council remains under the lower threshold for LA error and admin delay, and £52,627 of subsidy is receivable for 2013/14. Were this to have increased above £54,802, the level of subsidy receivable would have been reduced by 60%.</p>

Note: no further observations raised in 2013/14.

## 5. Closing remarks

This report has been discussed and agreed with the Corporate Director of the Council. A copy of the report will be presented at the next Overview and Scrutiny Committee meeting.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the certification work.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

**Deloitte LLP**

Chartered Accountants

23 February 2015

*The matters raised in this report are only those that came to our attention during our certification work and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the certification methodologies as they are derived solely from the Audit Commission.*

*This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.*



# Appendix 1: Analysis of certification fees

Claim or return	2013/14 £'000	2012/13 £'000
Housing benefit subsidy claim	15.3	18.4
National non-domestic rates return	n/a	2.9
<b>Total</b>	<b>15.3</b>	<b>21.3</b>

A further grant for the Homes and Communities Agency was certified this year, outside the Audit Commission contract, for a fee of £2,000.

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