



Ryedale District Council

Certification of claims and returns 2011/12

Annual Report

February 2013

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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 2012. 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 two items have required certification, being the housing and council tax benefit subsidy claim and the National non-domestic rates return (“NNDR”).

The NNDR return was certified with no matters to report.

The housing and council tax benefit subsidy claim testing revealed various errors of both underpayment and overpayment of benefit, across all three types of benefit. The individual errors ranged from a few pence to £581 and for periods of a few days to several months. Overall the claim was only adjusted by £4,300 and a qualification letter was submitted to the Department for Work and Pensions 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. Historically, the Council has had a clean report for the housing and council tax benefit subsidy claim, with minimal errors found in our testing. Some of the errors found this year related to a software or control issue and some highlighted a series of human errors

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 2011/12

The following claims and returns have been certified and delivered to the appropriate authorities within the relevant deadlines:

Claim or return	Value of claim/ return	Date received	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Housing and council tax benefit	£14.8m	15/05/12	29/11/12	30/11/12	Yes	Yes
National non-domestic rates return	£14.4m	15/08/12	13/09/12	28/09/12	No	No

Notes

- All claims with a project lifetime value of over £125,000 require certification by the auditors.
- The Disabled Facilities Grant which has been certified in previous years is no longer a ring-fenced grant and therefore no longer subject to certification.
- 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 letters issued

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

Adjustments

- The housing and council tax benefit subsidy claim required several minor adjustments giving rise to an overall decrease in the claim of £4,300 – see section 3 for commentary on the housing and council tax benefit subsidy claim.

Qualification letter issued

- A letter was issued in respect of the housing and council tax benefit subsidy claim. Nine different categories of error were reported in this year's letter to the Department for Work and Pensions. Where errors cannot be adjusted in the claim form, they are extrapolated from the testing sample across the whole benefit population. The largest extrapolated error reported in the letter was £24,263.

3. Commentary on housing and council tax benefit claim

Certification approach

- Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2012 instructions, a Modular Approach was used to certify the claim. A planning meeting was held with key Council benefits staff in June 2012.
- 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. This work was partially performed at a preliminary stage in early June 2012.
- Electronic workbooks supplied by the Audit Commission were used to test a sample of cases for each of the three relevant benefit types (non-HRA rent rebates, rent allowances and council tax benefit) for the Council. A sample of 20 was used for rent allowances and council tax benefit. The number of cases tested for non-HRA rent rebates was reduced to 16 as a result of the small population for this type of benefit.
- In total our work took 32 days this year compared to 29 days last year due to the number of errors found and additional testing required under the certification instruction. Further details are given below.
- 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 extended samples are combined wherever possible to minimise the number of cases tested. This year nine sets of extended testing were performed.
- A review of the Northgate software controls was also performed.

3. Commentary on housing and council tax benefit claim (continued)

Summary of findings

- Our initial testing of 56 cases noted 23 errors (2010/11: 9 errors) across all three benefit types.
- As a result of the errors found in our initial testing, nine sets of extended testing were required and a further 129 errors were noted as a result of this extended testing, some of which relate to software or control errors.
- Furthermore, testing is required in areas where errors were found in the prior year and this testing noted a further 108 errors, again some of which relate to control errors.
- There were instances of both underpayment and overpayment of benefit in the errors noted above, ranging from a few pence to £581 and from a few days to several months.
- The following is a summary of the errors noted in our combined testing:
 - incorrect income details recorded/calculated for 18 council tax and 12 rent allowance cases;
 - incorrect rent officer renewal start date for 3 rent allowance cases;
 - incorrect treatment of student loan for 8 rent allowance cases;
 - incorrect stop date used for 109 council tax cases;
 - incorrect treatment of service charge expenses for 24 non-HRA cases;
 - incorrect classification of type of accommodation expenditure for 28 non-HRA cases (software error);
 - incorrect recording of an instance of backdating a claim for 10 non-HRA cases and 38 rent allowance cases;
 - incorrect recording or uprating of war pension, either by amount or date, for several cases in receipt of war pension; and
 - three instances where the claim form was not amended for discrepancies created by the Northgate software.

Looking forward – 2012/13

At the time of writing this report, there have been no changes announced by the Audit Commission. However, there are usually some minor amendments to the certification instructions each year and we will keep you informed of any significant changes that are announced in the future.

4. Observations and recommendations arising from our certification work

Housing and council tax benefit subsidy claim - follow up on prior year matters raised

	Recommendation in 2010/11	Resolved in 2011/12?
1	Care needs to be taken in the case of claimant death, with respect to overpayment classification, and rent officer determination renewal dates.	Errors were found in both these areas again this year. These matters appear to be unresolved in 2011/12. A work programme has been agreed to resolve any outstanding errors with improved procedures now in place to prevent recurrence of errors.

4. Observations and recommendations arising from our certification work (continued)

Housing and council tax benefit subsidy claim - current year matters raised

	Observation and recommendation	Management response
1	<p>It has taken several months to conclude this year's work. This appears to be due to lack of available resource in the benefits team to investigate errors found in our testing and to carry out the extended testing required.</p> <p>Testing required in 2012/13, as a result of errors arising in 2011/12, has already been notified to the benefits team management and it is recommended that this testing is performed over the next three months to reduce the pressure on staff during the summer certification work.</p>	<p>The Council has identified additional funding to resource the increasing burden associated with the subsidy claim audit for 2012/13. The testing requirements have increased following the implementation of Northgate in February 2010. This year is not exceptional in that it takes several months to conclude the audit every year. We do not anticipate any reduction in the testing requirement of the audit, however the consequence of any errors amounts to £4,300. There is no benefit to the Council in investing significant resources in the next three months to undertake all testing as suggested in the report.</p>
2	<p>Internal audit highlighted that no supervisory checks have been made to benefit cases since February 2011. This increases the risk of training needs remaining undetected and is likely to have contributed to the high level of errors this year. Supervisory checks should be carried out across all benefits staff as soon as possible and a regular timetable of checks should be reintroduced.</p>	<p>Whilst accurate, the council does not experience a high turnover of staff, with longstanding experienced assessors in the team. Training needs are identified across the NY services using Northgate. A plan is being developed for management checks, with resource identified to undertake the checks.</p>

4. Observations and recommendations arising from our certification work (continued)

Housing and council tax benefit subsidy claim - current year matters raised (continued)

	Observation and recommendation	Management response
3	When assessors run checks on CIS for whether a benefit is income based or contributions based, a copy of that screen shot should be filed together with the main award list page from the CIS system. This will ensure that backing documentation is retained to support the income used in the subsidy calculation.	Agreed - plan in place to import info into EDM
4	The error report, Sub057 "Reconciling claims", should be produced and reviewed as part of the subsidy claim completion process.	Agreed – action point for officer undertaking subsidy claim completion
5	Recurring errors were found in recording income and tax credits, rent officer determination start date, student loans and backdating. It is recommended that all staff attend refresher training to reduce the number of errors in these areas.	Recurring errors occur only in relation to the rent officer determination start date. Others are simply errors. Training plan in place for all areas referred to, to prevent any recurrence.
6	There was found to be inconsistent recording and/or treatment of service charge expenses included in the rent paid to landlords. All cases in 2011/12 were reviewed and amended as required. All cases in 2012/13 should be reviewed and training given to staff regarding the proper treatment of service charges.	Agreed. Procedures and guidance to be developed and training for all staff
7	Towards the end of our work it became apparent that incorrect stop codes were being used for council tax cases. All 2011/12 stopped cases were reviewed and 109 cases were adjusted. All 2012/13 stopped cases will need to be reviewed and amended and staff training should be given in this area.	Agreed. Updating guidance and refresher training for all staff

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 Overview and Scrutiny Committee on 21 February 2013.

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".

Deloitte LLP

Chartered Accountants

4 February 2013

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	2011/12 £'000	2010/11 £'000
Housing and council tax benefit subsidy claim	29.0	26.5
National non-domestic rates return	4.2	4.9
Disabled Facilities grant	-	1.2
Total	33.2	32.6

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