



Ryedale District Council

Certification of claims and returns 2012/13

Annual Report

February 2014

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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 2013. 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 required one adjustment but had 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 £2,963 and for periods of a few days to several months. Overall the claim was only adjusted by £2,697 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 a similar number of errors as the prior year. None of the errors found this year highlight any significant control weaknesses, rather a series of human errors which appear to indicate continued pressure on resources rather than a lack of knowledge or skills.

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, see section 4 for further details.

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 2012/13

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	£15.4m	15/07/13	28/11/13	29/11/13	Yes	Yes
National non-domestic rates return	£15.4m	15/08/13	26/09/13	27/09/13	Yes	No

Notes

- All claims with a project lifetime value of over £125,000 require certification by the auditors.
- 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 NNDR return required one adjustment to amounts under the deferral scheme due to an erroneous underlying report.
- The housing and council tax benefit subsidy claim required several minor adjustments giving rise to an overall decrease in the claim of £2,697 – 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 (2011/12: nine). 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 £8,350. If this amount is added to the previously reported LA error of £60,481 then the lower threshold for subsidy payable on LA errors would still not have been breached, but only by £1,890. See section 4 for related recommendation.

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 2013 instructions, a Modular Approach was used to certify the claim. A planning meeting was held with key Council benefits staff in June 2013.
- 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 2013.
- 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 13 as a result of the small population for this type of benefit.
- In total our work took 34 days this year compared to 32 days last year. 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 where prior year errors were found, and extended samples are combined wherever possible to minimise the number of cases tested. This year twelve sets of extended testing were performed (2011/12: 11 sets).
- 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 53 cases noted 2 errors (2011/12: 23 errors) across all three benefit types.
- As a result of the errors found in our initial testing, one set of extended testing was required and a further 3 errors were noted as a result of this extended testing.
- Furthermore, testing is required in areas where errors were found in the prior year and this testing noted a further 51 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 £2,963 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 13 council tax and 10 rent allowance cases;
 - incorrect rent officer renewal start date for 2 rent allowance cases;
 - incorrect treatment of student loan for 2 rent allowance cases and 1 council tax case;
 - incorrect treatment of non-dependent deductions for 4 council tax cases;
 - incorrect treatment of service charge expenses for 7 non-HRA cases;
 - incorrect classification of type of accommodation expenditure for 10 non-HRA cases (software error);
 - incorrect recording of an instance of backdating a claim for 5 rent allowance cases; and
 - incorrect overpayment classification for various council tax cases.

Looking forward – 2013/14

For 2013/14 the national Council Tax Benefit scheme has been replaced with a local Council Tax Reduction policy and therefore the certification of the Housing Benefit Subsidy grant in 2013/14 will no longer cover expenditure on payments relating to Council Tax. See related observation in section 4. At the time of writing this report, there have been no other 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 2011/12	Resolved in 2012/13?
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>Additional resources were allocated to the Benefits section to specifically work on this area.</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>Point carried forward to 2012/13 recommendation – see below.</p>
3	<p>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.</p>	<p>We noted that staff training had been improved in this area and CIS screen prints were filed to support figures used in calculations in the sample cases tested.</p>
4	<p>The error report, Sub057 "Reconciling claims", should be produced and reviewed as part of the subsidy claim completion process.</p>	<p>As in the previous year, it was decided that only large amounts would be investigated.</p>
5	<p>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.</p>	<p>A full review was undertaken by Council staff to identify and correct these coding errors. As this was limited to Council Tax cases, the issue will not arise in the 2013/14 certification.</p>

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

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

	Recommendation in 2011/12	Resolved in 2012/13?
6	<p>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.</p>	<p>Errors relating to income are common place across many Councils. Further training, reminders to assessment staff and increasing the level of supervisory review will help to reduce the error rate.</p> <p>The Council has implemented new processes part way through 2013/14 to automate some aspects of the processing of tax credit information. We will review the effectiveness of these measures in our 2013/14 certification.</p> <p>One error was found in relation to student loan income. Given the low number of cases with student loan/grant income, the Council should target its supervisory reviews at this characteristic.</p> <p>The incorrect backdating of claims remained an issue in 2013/14, covering claims where no backdate had actually been awarded, as well as cases where good cause had not been shown to award the backdate.</p>
7	<p>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.</p>	<p>Errors in the service charges for non-HRA cases were again identified. Given the limited number of properties used, a standard cost sheet per property should be developed, which will then require limited amendment.</p>

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

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

	Observation and recommendation 2012/13	Management response
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>Management acknowledge the need for improved checking processes.</p> <p>However resources are limited for investment in increased checking. Despite this the following improvements have been made The benefits team now work on a Drip feed caseload instead of the previous Alpha split. As part of the drip feed caseload the assessors are now checking each other's work.</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>DWP have demonstrated their intention to follow up on qualification letters at other councils where thresholds are breached when the extrapolated errors are taken into account. Therefore, we recommend the Council monitors its position against these thresholds, and considers investing in additional resources to protect the LA error subsidy it currently receives.</p>	<p>Monitoring on the level of Local Authority (LA) error arising from processing claims is undertaken on a monthly basis. The LA has invested in additional resources to assist in improving processing times and reducing the backlog. In-house procedures have also been reviewed and updated to assist with the team performance.</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 2012/13	Management response
3	Following the replacement of the national Council Tax Benefit scheme with a local Council Tax Reduction policy, the certification of the Housing Benefit Subsidy grant in 2013/14 will no longer cover expenditure on payments relating to Council Tax. Members should consider how they are gaining assurance that the Council Tax Reduction scheme is being administered in line with the agreed policy.	Assurance is achieved through adherence to the scheme as agreed by the Council and this will be subject to internal audit as part of their work programme.

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 20 February 2014.

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, slightly slanted style.

Deloitte LLP

Chartered Accountants

4 February 2014

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	2012/13 £'000	2011/12 £'000
Housing and council tax benefit subsidy claim (to be confirmed by Audit Commission)	18.4	29.0
National non-domestic rates return	2.9	4.2
Total	21.3	33.2

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