



Ryedale District Council

Certification of claims and returns 2010/11

Annual Report

February 2012

Contents

- 1. Grant claims and returns certified for 2010/11 2
- 2. Adjustments and qualification letters issued 3
- 3. Commentary on housing and council tax benefit claim 5
- 4. Observations and recommendations arising from our certification work 8
- 5. Closing remarks 9
- Appendix 1: Analysis of certification fees 10

1. Grant claims and returns certified for 2010/11

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	£14.28m	21/07/11	22/12/11	30/11/11 <i>extended to 23/12/12</i>	Yes	Yes
National non-domestic rates return	£13.76m	24/06/11	15/09/11	23/09/11	Yes	No
Disabled Facilities grant	£200k	29/07/11	30/09/11	31/10/11	No	No

Notes

- All claims with a project lifetime value of over £125,000 require certification by the auditors.
- The housing and council tax benefit deadline was extended at the request of the Authority.
- Section 2 provides details of adjustments required and the qualification letter issued.
- An analysis of certification fees is shown in Appendix 1 to this report.

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 some adjustments - total increase £1,113:
 - a) some errors appear to have occurred as a result of the software change-over and non-HRA rent rebate cases with changes of circumstances occurring after the change-over were incorrectly classified in the final claim (9 out of 46 cases); and
 - b) some errors occurred where the overpayments related to council tax cases involving claimant death were incorrectly classified between overpayment types (21 cases).

See section 3 for further commentary on the Housing and council tax benefit subsidy claim.

- The national non-domestic rates return required several adjustments:
 - a) the main adjustment was to correct the calculation of the bad debt provision used in the claim form. The amount was understated by £46,888, meaning that the reported value of the Authority's contribution to the pool was overstated by the same amount; and
 - b) other minor adjustments totalled £16.

2. Adjustments and qualification letters issued (continued)

Qualification letters issued

- A qualification letter was issued this year in respect of the housing and council tax benefit subsidy claim relating to errors that are not able to be adjusted. Adjustments can only be made where 100% of a population has been tested. Where an additional sample of 40 cases is tested, an adjustment cannot be made and instead an extrapolation calculation is included in a qualification letter. From our sample testing we noted two errors relating to a) incorrect rent officer determination renewal date and b) incorrect recording of claimant's earnings. As required by the certification instructions issued by the Audit Commission, a further 40 cases were tested in each area and further similar errors were found – 10 instances of incorrect rent officer determination renewal date and 5 instances of incorrect recording of claimant's earnings. Since more than one error was found, we were unable to confirm that the errors we found were isolated errors, we were therefore required to report all the instances to the Department for Work and Pensions and provide calculations of extrapolated error rates and values for each type of error. The extrapolated values were minimal at £5 and £33.
- The letter also disclosed errors found as a result of follow-up testing based on prior year errors. These errors had no benefit effect and hence no extrapolated error rates or values were included (see section 3).

3. Commentary on housing and council tax benefit claim

In February 2011, the benefits software was changed from Civica to Northgate. All data was migrated successfully although there were some discrepancies in the classification of migrated cases when a change of circumstance occurred after migration. All such cases were amended prior to final submission of the claim.

The software change-over meant that, in many instances, auditor testing had to be performed twice or in two parts (once for each software system) and therefore the work took longer this year. Understandably, benefits staff were working hard to catch up with the backlog of claims and other tasks which had been delayed while the systems were changed over and therefore had less time to work with us and answer queries. For this reason an extension was sought and the claim was submitted on 22 December 2011.

Certification approach

- Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2011 instructions, a Modular Approach was used to certify the claim. A planning meeting was held with key Authority benefits staff in June 2011;
- 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 Authority on both Civica and Northgate. This work was performed at a preliminary stage in early June 2011;
- Electronic workbooks supplied by the Audit Commission were used to test a standard sample of 20 cases for each of the three relevant benefit types (non-HRA rent rebates, rent allowances and council tax benefit) for the Authority. This year the number of cases tested for non-HRA rent rebates was reduced to 10 as a result of the small population for this type of benefit; and
- A review of the Civica and Northgate software controls was performed.

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

Summary of findings

- Our initial testing of 50 cases identified nine errors (2009/10: two errors) – two in the area of council tax, one in rent allowances and six in non-HRA rent rebates.
- The council tax errors were a) incorrect classification of the overpayment resulting from claimant death and b) incorrect recording of claimant earnings. A sub-population of all claims where the claimant had died were reviewed and an adjustment made for 21 incorrect cases (see section 2). A further sample of 40 cases with earnings were reviewed and a further 5 instances of incorrect recording found. Since more than one error was found, we were unable to confirm that the errors we found were isolated and we were therefore required to report all the instances to the Department for Work and Pensions and provide calculations of the extrapolated error rate and value which was £5 (see section 2).
- The rent allowance error was the use of an incorrect rent officer determination renewal date. A further sample of 40 cases with rent officer determination renewals were reviewed and a further 10 instances of incorrect renewal date found. Since more than one error was found, we were unable to confirm that the errors we found were isolated and we were therefore required to report all the instances to the Department for Work and Pensions and provide calculations of the extrapolated error rate and value which was £33 (see section 2).
- The non-HRA rent rebate errors appear to have occurred as a result of the software change-over where cases with changes of circumstances occurring after the change-over were incorrectly classified as a different type of benefit in the final claim. Since this benefit type has a small population, all cases were reviewed and the claim adjusted for all errors found (see section 2).
- There were two errors noted in the prior year claim with respect to incorrect tax credit income recording in rent allowance cases. Although no errors were found in this area in the initial testing this year, we are required, by the certification instructions issued by the Audit Commission, to assume this is still a risk area this year and carry out tests on a further 40 cases. Four errors were noted in this area and have been reported to the Department for Work and Pensions.

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

Looking forward - 2011/12

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.

We anticipate next year's work to return to previously experienced low levels of errors and minimal additional testing, now that the new benefits software is in place and all migration issues have been dealt with.

4. Observations and recommendations arising from our certification work

Housing and council tax benefit claim

- There were quite a few errors found in cases this year in comparison to prior years. Whilst some were created by the system change-over, some were human error and are likely to have arisen as a result of the pressure on resources due to changing systems. In general, we expect errors to reduce to the historical low level experienced in prior years once the new system is bedded in. It is however worth noting that care needs to be taken in the case of claimant death, with respect to overpayment classification, and rent officer determination renewal dates.

National non-domestic rates return

- This year there was one significant adjustment required as a result of an incorrect formula used on one of the supporting papers for the bad debt provision. There were also some minor adjustments required in the current and prior year return. We continue to recommend that the file supporting this return is reviewed by an independent manager within the Authority to ensure all return entries are correct, prior to submission to the auditors for certification.

5. Closing remarks

This report has been discussed and agreed with the Corporate Director (S151) of the Authority. A copy of the report will be presented at the meeting of Overview and Scrutiny on 12 April 2012.

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. We recognise the value of your co-operation and support.



Deloitte LLP

Chartered Accountants

20 February 2012

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 £'000	2010 £'000
Housing and council tax benefit	26.5	13.5
National non-domestic rates return	4.9	4.9
Disabled Facilities grant	1.2	1.2
Total	32.6	19.6

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2012 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Member of Deloitte Touche Tohmatsu Limited