

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
30 January 2013

From: Director of Resources

Subject: **STATUTORY AUDITOR – ANNUAL GRANT CLAIMS AND RETURNS 2011/12**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to present to Members the statutory auditor's Annual Grant Claims and Returns Report for 2011/12 which is attached at Annex A.
- 1.2 The Report summarises the work which the Council's statutory auditors have undertaken in certifying the Council's major grant claims and returns in relation to the financial year 2011/12.

2.0 DECISIONS SOUGHT:

- 2.1 Members are asked to consider the statutory auditor's report and comment on it as appropriate.

3.0 RISK ANALYSIS:

- 3.1 There are no risks associated with consideration of this report. However, if this report was not considered the Committee would not be fulfilling its terms of reference and would not have the opportunity of commenting on the statutory auditor's work in respect of grant claims for 2010/11.

4.0 RECOMMENDATION:

- 4.1 It is recommended that Members receive the statutory auditor's Certification of Claims and Returns 2011/12 Annual Report.

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Background papers: Certification of Claims and Returns 2011/12 Annual Report

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Deloitte.

Hambleton District Council

Certification of claims and returns 2011/12

Annual Report

January 2013

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Executive summary

We have pleasure in setting out in this document our report to the Audit and Governance Committee of Hambleton 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 (“NDR”).

The NDR return was certified with no matters to report.

However the housing and council tax benefit subsidy claim testing revealed numerous errors of both underpayment and overpayment of benefit, across all three types of benefit. The individual errors ranged from a few pence to £713 and for periods of a few days to several months. Overall the claim was only adjusted by £806 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 relatively clean report for the housing and council tax benefit subsidy claim, with minimal errors found in our testing. None of the errors found this year highlight any significant control weaknesses, rather a series of human errors which appear to indicate increased pressure on resources rather than a lack of knowledge or skills.

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 | £21.5m | 15/05/12 | 29/11/12 | 30/11/12 | Yes | Yes |
| National non-domestic rates return | £25.1m | 15/08/12 | 20/09/12 | 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 increase in the claim of £806 – 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. Seven 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 £3,896.

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 10 as a result of the small population for this type of benefit.
- In total our work took 32 days this year compared to 25 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 four 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 50 cases noted ten errors (2010/11: five errors) across all three benefit types.
- As a result of the errors found in our initial testing, four sets of extended testing were required and a further nine 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 ten errors.
- There were instances of both underpayment and overpayment of benefit in the errors noted above, ranging from a few pence to £713 and from a few days to several months.
- The following is a summary of the errors noted in our combined testing:
 - incorrect start date used for six non-HRA cases;
 - incorrect income details recorded/calculated for seven council tax and five rent allowance cases;
 - incorrect rent expense details recorded/calculated for four rent allowance cases;
 - incorrect recording of VAT on rent expense for five homeless cases;
 - incorrect uprating of war pension, either by amount or date, for several cases in receipt of war pension;
 - two instances where un-cashed cheques were not excluded from the claim form; 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 | The error report, Sub057 "Reconciling claims", should be produced and reviewed as part of the subsidy claim completion process. | This had not been fully completed in advance of our certification visit and remains an on-going recommendation. All errors must be adjusted as appropriate and a copy of the report and adjustments should be passed to the auditor at the start of the certification visit |
| 2 | Timely reports of un-cashed cheques should be obtained from finance and acted on to enable the correct adjustment to be made to the subsidy claim form for amounts of benefit not yet paid. | Whilst a report was obtained in early March from finance, it was not actioned by the benefits team. This remains an on-going recommendation. |

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>Additional resources have been allocated to the Benefits section to specifically work on this area. It is envisaged that these problems will not be experienced in the future.</p> |
| 2 | <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>This issue is a training issue with staff that has now been resolved so this issue should not arise in the future.</p> |
| 3 | <p>Assessors should take care when assessing homeless cases to determine whether the rent includes VAT or not. If rent includes VAT this should be deducted from the rent amount and benefit should not be paid on the VAT element. Consistency could also be improved with respect to rent documentation for the homeless cases received from the housing department. In a few instances we found that the VAT element was not always specified and other cases where the weekly and daily rents did not correspond across documentation.</p> <p>The lack of accurate and consistent documentation increases the risk of error.</p> | <p>This issue is a training issue with staff that has now been resolved so this issue should not arise in the future.</p> |

5. Closing remarks

This report has been discussed and agreed with the Director of Resources of the Council. A copy of the report will be presented at the Audit and Governance Committee on 30 January 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.



Deloitte LLP
Chartered Accountants

9 January 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 | 28.5 | 21.5 |
| National non-domestic rates return | 4.3 | 4.4 |
| Disabled Facilities grant | - | 1.0 |
| Total | 32.8 | 26.9 |

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