



Hambleton 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 Audit, Governance and Standards Committee of Hambleton 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 was certified with no matters to report.

However the housing and council tax benefit subsidy claim testing revealed a number of errors of both underpayment and overpayment of benefit, across all three types of benefit. The individual errors ranged from a few pence to £768 and for periods of a few days to several months. Overall the claim was only adjusted by £2,822 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 - subsequent to our qualification letter, DWP have added the extrapolated errors to the original LA errors noted on the claim form and have requested the repayment of £44,292 subsidy previously received by the Council.

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	£23.0m	15/07/13	28/11/13	29/11/13	Yes	Yes
National non-domestic rates return	£25.6m	15/08/13	23/09/13	27/09/13	No	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 housing and council tax benefit subsidy claim required several minor adjustments giving rise to an overall increase in the claim of £2,822 – 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. Six different categories of error were reported in this year's letter to the Department for Work and Pensions (2011/12: seven 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 £25,872. If this amount is added to the previously reported LA error of £91,068 then the lower threshold for subsidy payable on LA errors would be breached and only 40% subsidy would be available on the resulting £116,940 LA error. This would result in a loss of subsidy of £44,292 and this is the amount that DWP have requested be repaid.

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 7 as a result of the small population for this type of benefit.
- In total our work took 32 days, the same as 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 seven sets of extended testing were performed (2011/12: seven 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 47 cases noted two errors (2011/12: ten 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 one error was 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 fourteen errors.
- There were instances of both underpayment and overpayment of benefit in the errors noted above, ranging from a few pence to £768 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 four non-HRA cases;
 - incorrect income details recorded/calculated for three council tax and four rent allowance cases;
 - incorrect rent expense details recorded/calculated for three rent allowance cases;
 - incorrect recording of VAT on rent expense for two homeless cases; and
 - incorrect uprating of war pension, by date, for several cases in receipt of war pension.

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>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>
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>Staff training has been provided in this area and only two errors of this nature were found this year.</p> <p>Staff should continue to be made aware of the need to accurately and consistently document where VAT is included in homeless claims.</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 in 2012/13	Management response
1	<p>The level of internal quality checks has diminished in recent years since DWP no longer require a specific level of checking. This increases the risk of error in calculating benefit subsidy.</p> <p>The quality checking process could be improved with more focussed checks 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 the authority adopts a risk based claims checking process, spreading across assessors, new claims and changes in circumstances, and focusing on different, higher risk aspect of claims.</p>	<p>The new position of Benefit Technical officer role has some responsibility for carrying out checks. New procedures are being developed and will focus on those areas highlighted in the audit CAKE testing such as start dates and assessment of income where the risk of error is higher (earnings and pensions income) along with the tenancy type classification codes and rent and service charges to ensure the correct entitlement is paid. It will also identify non-financial errors. Accuracy target of 97%.</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 subsidy on 100% of the LA error of £91,068. If the level of LA error increased above £106,217, the Council would have lost 60% of this subsidy (£54,641); and above £119,494, 100% of this subsidy would be lost. 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 and have requested repayment of £44,292 from the 2012/13 subsidy claim because the lower threshold was breached when the extrapolated errors are taken into account.</p> <p>We recommend the Council monitors its position against these thresholds going forward, and considers investing in additional resources to protect the LA error subsidy it currently receives.</p>	<p>This is the first year in which the Council has not received a 100% subsidy of the LA error. The change is due to the errors found by the Audit team and therefore would be difficult for the LA to predict even with quality checking as the LA may not identify the same level of error and if errors were found it may not have the same impact because of the threshold levels. However this will be monitored via the quarterly subsidy review. Performance levels are monitored and where backlogs occur action is taken to improve the processing times thereby reducing the amount of any potential overpayment.</p>

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

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

	Observation and recommendation in 2012/13	Management response
3	<p>The supporting evidence for rent of board and lodging accommodation is inconsistent for the same properties, in terms of the services noted as included and whether VAT is included in the rent charge. This is because Homelessness Officers must construct a new rent evidence for each placement, when much of the data is consistent for every placement in a property, and this increases the risk of error in calculation.</p> <p>We recommend the authority adopts a standard pro-forma for rent evidence for each property used by the Homelessness teams, which clearly sets out which services are included in the rent, and whether VAT is charged.</p>	Agreed – new template to be put into place.
4	<p>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.</p>	This has been discussed with Veritau and is part of the internal audit program work for 2013.14.

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 next Audit, Governance and Standards 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

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)	17.0	28.5
National non-domestic rates return	2.6	4.3
Total	19.6	32.8

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