



Middlesbrough Council

Certification of claims and returns 2014/15

Annual Report

January 2016

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Executive summary

We have pleasure in setting out in this document our report to the Corporate Affairs and Audit Committee of Middlesbrough Council (“the Council”) on our certification work for the year ended 31 March 2015. 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 one grant claim required certification, being the housing benefit subsidy claim. Other grant work which we have previously completed under the Audit Commission regime includes the Teachers Pensions End of Year Certificate. This work is now performed under direct agreement with the Council, and is not therefore referred to in this report.

The Housing Benefit claim requires us to consider two benefit types (Rent Allowances and Non-HRA Rent Rebates). Our testing revealed a number of minor errors of both underpayment and overpayment of benefit, across both types of benefit. The individual errors ranged from a few pence to £214. A qualification letter was submitted to the Department for Work and Pensions (“DWP”) setting out the various errors found. The total value of extrapolated errors included within our qualification letter was £44,386. Of this, £14,363 related to elements of the claim relating to subsidy receivable, and £30,023 related to information only cells.

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 fewer errors than last year, and none of the errors found highlight any significant control weaknesses.

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.

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 2014/15

The following claim has been certified and delivered to the appropriate authority within the relevant deadline:

Claim	Value of Claim	Date received	Date certified	Certification deadline	Adjustments made	Qualification letter issued
Housing benefit subsidy	£79.9m	30/4/15	25/11/15	30/11/15	Yes	Yes

Notes

- A further grant for the Teachers Pensions End of Year Certificate was certified this year outside the Audit Commission contract.
- Section 2 provides details of the qualification required.
- An analysis of certification fees is shown in Appendix 1 to this letter.

2. Qualification letter issued

A qualification letter was issued with regard to the certificate on the Housing Benefit claim as follows:

- A letter was issued in respect of the housing benefit subsidy claim. Three different categories of error were reported in this year's letter to the Department for Work and Pensions (2013/14: five 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 £44,386 (2013/14: £167,424), of which £30,023 related to an information only cell, with no anticipated subsidy consequence.

Where testing is able to consider 100% of the affected sub-population, the amounts can be adjusted on the claim form, and excluded from the qualification letter. Where, due to the volume of cases in a sub-population, we are unable to test 100% of affected cases, the extrapolated impact is presented in the qualification letter. The error rates and extrapolated figures stated above reflect the individual cases selected for testing. With respect to the extrapolated figures, given the nature of the sub-populations even with significant additional work we would not be able to test 100% of the sub-population.

3. Commentary on housing benefit subsidy claim

Certification approach

- Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2015 instructions, a Modular Approach was used to certify the claim.
- The “system parameters” specified by the National Audit Office (i.e. this year’s benefit rates and allowances) were agreed to those in use at the Council.
- Electronic workbooks supplied by the Audit Commission were used to test a sample of cases for each of the two relevant benefit types (non-HRA rent rebates and rent allowances) for the Council. A sample of 20 was used for rent allowances and 20 for non-HRA rent rebates in line with the mandated approach.
- 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. This year 12 sets of extended testing were performed (2013/14: 11 sets).
- A review of the Northgate software controls was performed.
- Our initial testing of 40 cases noted six errors across the two benefit types (2013/14: 40 cases - nine errors).
- As a result of the errors found in our initial testing, extended testing was required and 13 further errors were noted (2013/14: 14 errors). Furthermore 36 of 45 cases tested identified the incorrect disclosure were noted in recording backdated claims on the claim form (2013/14: eight of eight).
- There were instances of both under and over-payment of benefit in the errors noted above, ranging from a few pence to £214.
- The following is a summary of the errors noted in our combined testing:
 - misclassification of overpayments
 - incorrect calculation of earned income
 - incorrect start date of a change in rent
 - incorrect application of non-dependent deduction rules
 - incorrect recognition of cases as backdated cases

4. Closing remarks

This report has been discussed and agreed with the Council's Accounting Services Manager. A copy of the report will be presented at the next Corporate Affairs and Audit 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. Specifically, we would like to thank Internal Audit for their assistance in completing elements of the testing on our behalf.

Deloitte LLP

Deloitte LLP

Chartered Accountants

6th January 2016

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	2014/15 £'000	2013/14 £'000
Housing benefit subsidy claim	13.78	14.0
Teachers Pensions Return	[1]	[1]
Tees Valley Bus Network Improvements	n/a	2.7
Total	13.78	16.7

[1] The Teachers Pensions return for 2014/15 was certified outside of the arrangements set by the Audit Commission under a separate contract with the Council. A fee of £2,500 (2013/14: £2,500) was agreed with the Council for this work.

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