



**Middlesbrough Council**

Certification of claims and returns 2009/10

Annual Report

**February 2011**

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# 1. Grant claims and returns certified for 2009/10

The following claims and returns have been certified and delivered to the appropriate authorities in relation to 2009/10:

<b>Claim or return</b>	<b>Value of claim/return £000</b>	<b>Date received</b>	<b>Date certified</b>	<b>Certification deadline</b>	<b>Adjustments required</b>	<b>Qualification letter issued</b>
Housing and council tax benefit	83,708	28/05/10	06/12/10	30/11/10	Yes	Yes
National non-domestic rates return	38,886	28/06/10	23/09/10	24/09/10	Yes	No
Teachers pensions return	8,739	28/06/10	28/10/10	30/11/10	No	No
Disabled facilities	653	28/06/10	28/10/10	29/10/10	No	No
Sure start early years and childcare	8,365	30/07/10	28/10/10	29/10/10	No	No
New Deal communities	1,050	28/09/10	16/12/10	31/12/10	No	No
North Middlesbrough accessibility	682	28/06/10	16/12/10	31/12/10	Yes	No
Major bus network	1,675	28/06/10	16/12/10	31/12/10	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 required.
- An analysis of certification fees is shown in Appendix 1 to this letter.

## 2. Adjustments and qualification letters issued

### Adjustments

The following adjustments have been made prior to certification by the auditors:

- the housing and council tax benefit claim required several adjustments giving rise to an overall reduction in the claim of £1,792 – see Section 3 for commentary on the Housing and council tax benefit subsidy claim;
- the amendment to the national non-domestic rates return of £5,670 related to the deferral element for one account and did not impact the overall value of the claim or contribution to the pool;
- the accessibility claim was adjusted to reclassify £681,822 from the grant received to the grant due line on the claim form. This was purely a presentational matter and the overall value of the claim was unaffected;
- the major bus network claim is completed by the Authority as accountable body on behalf of the partners involved in the project. Issues were identified in relation to expenditure figures included in the claim so audit work was postponed until the Authority could obtain further information from partners. The overall value of the claim did not change but the categorisation of expenditure within the claim was revised by the Authority following receipt of the additional information.

### Qualification letters issued

One qualification letter was issued this year – see Section 3 for details.

# 3. Housing and council tax benefit claim

## Certification approach

Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2010 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 Authority.

A review of the Northgate software controls was performed.

Electronic workbooks supplied by the Audit Commission were used to test a sample of 20 cases for each of the four relevant benefit types (non-HRA (housing revenue account) rent rebates, rent rebates, rent allowances and council tax benefit) for the Authority. The number of cases tested was for non-HRA rent rebates and rent rebates was reduced to 10 and 4 respectively a result of the small populations for these types of benefit.

The Audit Commission estimate that a full 80 cases should take 26 working days to test using the workbooks. This year we tested 54 cases and the pro-rated estimated time for testing would be 17.6 days. Our completion of the initial workbook testing took 21 working days, which is above the estimated time due to the issues as set out below.

## Initial and 40+ testing – issues arising

As agreed at the end of the prior year audit, in order to achieve cost savings for the Authority, Internal Audit carried out the initial testing. In accordance with Audit Standards, we planned to carry out sample re-performance to obtain assurance over the reliability of the work. A sample of 20% re-performance was initially determined to be appropriate. Deloitte provided training for the Head of Internal Audit and two other members of the team in June 2010.

We agreed that the Authority would carry out a small amount of initial testing and pass to Deloitte for review. This was carried out in July when it was noted that the Authority had not followed the testing requirements for each cell as prescribed in the HB Count Help file. The Authority updated the initial testing and used this going forward.

Once the remainder of the initial testing had been carried out, we undertook our re-performance of 20% of the sample. During this, we noted numerous instances where we did not agree with the conclusions reached and when challenged, staff from Internal Audit commented that they too had noticed that the cases contained errors but had chosen not to document these or to communicate them with us. As a result, we were unable to rely on the work presented to us at that stage.

## 3. Housing and council tax benefit claim (continued)

### Initial and 40+ testing – issues arising (continued)

We therefore requested the Authority to carry out a review of all of the initial work carried out by the Internal Audit team. This was undertaken by the Head of Internal Audit and resulted in further amendments to the conclusions previously presented to us. In addition, in response to concerns over the quality of the work, we needed to carry out a much increased level of re-performance to achieve sufficient assurance over the results of the testing.

As a result of the errors noted in the cases tested (see “Summary of findings” below), additional (40+) testing was required to be carried out. In line with the guidelines supplied by the Audit Commission, the Authority can elect to complete this testing to avoid higher audit costs. This further work was undertaken by the Benefits team, under the direction of the Benefit Manager – Client Unit.

Going forward, we will work closely with Authority staff to ensure that this exercise is carried out as efficiently as possible.

### Summary of findings

The initial testing of 54 cases identified a number of issues.

- **Non-HRA Rent Rebates:** two of the ten cases tested failed. One case was identified where water rates had been deducted twice in error, therefore causing the claimants rent to be incorrectly stated, and a second case where there was no proof of income for a stay in a hostel which is the evidence required to be taken.
- **HRA Rent Rebates:** since 2004, the Authority has not operated a HRA. There were 12 claims which impacted the subsidy claim for 2009/10. Some of these cases were showing as entitled to additional subsidy due to fraud or customer delay in reporting a change in circumstances. However, there were a small number of claims which had a backdated impact for claimants who previously received this type of benefit due to errors made by Benefits staff during the 2009/10 subsidy year. We have been informed that the Authority has put procedures in place on an ongoing basis to ensure that any such cases are identified and rectified at the outset. It is recognised that there errors are minor given the number of cases involved and the monetary value attached to this area of work.
- **Council Tax:** three of the twenty cases tested failed, one of which failed on two aspects – one case as a result in an inappropriate deduction being granted and the tax credit income not being supported by sufficient supporting evidence; one case where the claimants pension contributions were not taken into account in calculating the claim; and two cases where the Authority again had failed to obtain sufficient supporting information from the claimant.

## 3. Housing and council tax benefit claim (continued)

### Summary of findings (continued)

- **Rent Allowances:** three of the twenty cases tested failed, with again one case failing on two aspects – one case as a result of the Authority failing to obtain sufficient supporting information from the claimant; two cases where the claimant's rent increase had been applied from the incorrect start date; and one case where the incorrect cell on the claim form had been used for recording.
- **Cross cutting qualification issues:** it was noted that the Authority has a policy in place which states that where a claimant's income has changed by less than £2, its impact is not backdated. DWP procedures do not make allowance for a threshold to be applied therefore where a claimant receives a higher income this would result in benefit being overpaid. The Authority is currently liaising with the DWP to try to agree a more practical approach as processing very minor changes impacts on the costs incurred by the Authority and the customers' experience. We have not been able to identify the impact of this on the claim form.

Results of additional testing:

- **Non HRA Rent Rebates:** two further cases were noted where the claimant was underpaid benefit as a result of errors made by the Authority.
- **HRA Rent Rebates:** no further testing was carried out in this area due to the nature of the errors identified.
- **Council Tax:** one further case was noted where the claimants benefit was impacted by errors in inappropriate deductions. A second error was noted in relation to lack of supporting documentation for income, and one case was noted where income had been incorrectly recorded. Six errors were noted where benefit had been overpaid as a result of incorrect recording of tax credits on Northgate.
- **Rent Allowances:** three further errors were noted where benefit had been overpaid due to applying incorrect rent increases and pension income. Three cases were noted where there had been either errors in recording income into Northgate or lack of supporting documentation for income.

Finally, as stipulated in the claim instructions, the Authority is required to have the claim form signed by the Section 151 Officer. In accordance with the Authority's standard procedures, however, the form was actually signed by the Deputy Director of Resources. We were, therefore, required to report this to the DWP.

## 3. Housing and council tax benefit claim (continued)

### **Conclusion**

The claim was qualified in relation to the matters set out above, and the overall value of the claim was reduced by £1,729.

### **Next steps**

As a result of the errors identified, the DWP is proposing to reduce the Authority's subsidy although the amount of the reduction is still subject to further work being undertaken. The Authority has recently completed this work and we are now required to undertake further audit work.

### **Looking forward – 2010/11**

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 claim**

As raised above, we encountered numerous serious issues whilst working with Internal Audit which resulted in our being able to place only limited assurance on the work completed by the Authority. The Authority should look to address each of these areas individually.

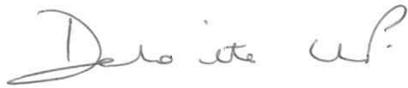
During the testing we noted numerous cases where the Authority had not obtained sufficient supporting documentation from the claimant prior to processing their claim. The Authority needs to ensure that its policies are up to date, and assess the need for, and deliver appropriate training for staff.

All staff should complete refresher training before the completion of the 2010/11 claim form, giving a deadline of 31 May 2011.

## 5. Closing remarks

This letter has been discussed and agreed with the Director of Resources of the Authority. A copy of the letter will be presented at the Audit and Governance Committee on 10 March 2011.

Our aim is to deliver a high standard of work which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your co-operation and support, and we will continue to work with the management team to improve the effectiveness and efficiency of joint working.



### **Deloitte LLP**

Chartered Accountants

28 February 2011

*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	2010 £	2009 £
Housing and council tax benefit [note 1]	31,500	45,000
National non-domestic rates return	4,580	3,960
Teachers pension return	2,765	2,730
Disabled facilities [note 2]	2,025	840
Sure start early years and childcare	6,195	6,120
New Deal Communities	2,675	2,642
North Middlesbrough accessibility	2,525	2,000
Major bus network	2,975	-
SCITT – School centred initial teacher training	-	1,314
	<b>55,240</b>	<b>64,606</b>

Note 1: Excludes fees for additional work requested by DWP which is not yet completed

Note 2: Part A testing only in 2009 due to value of the claim but in line with Audit Commission instructions, Part B testing must be carried out at least once every three years.

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