

MIDDLESBROUGH COUNCIL

AGENDA ITEM 5

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT COMMITTEE

4TH FEBRUARY 2016

EXTERNAL AUDIT REPORT – CERTIFICATION OF CLAIMS AND RETURNS 2014/2015

Paul Slocombe – Chief Finance Officer

PURPOSE OF THE REPORT

1. For Members of the Corporate Affairs and Audit Committee to note and review the Certification of Claims and Returns report for 2014/2015 prepared by the External Auditors, Deloitte.

BACKGROUND

2. The report summarises the principal matters that have arisen from the certification work carried out by Deloitte for the 2014/2015 financial year.
3. The only claim that required certification for 2014/2015 was the Housing Benefit Subsidy claim. Details of the Auditor's findings are set out in the following paragraphs and a copy of the Auditor's report is attached as an appendix.
4. There are two types of benefit that required consideration, Rent Allowances and Non-HRA Rent rebates. Testing revealed a number of minor errors of both underpayment and overpayment of benefit across both types of benefit.
5. It is important to point out however, that given that the nature of the benefits system involves a high volume of low value transactions, there will always be an element of human error and this has been acknowledged by Deloitte in their report. They have also highlighted that fewer errors were revealed for 2014/2015 compared to the previous year and none were the result of any significant control weaknesses.
6. The initial testing of forty cases identified six errors across the two types of benefit. (in comparison, nine errors were identified from forty cases in 2013/2014).

7. As a result of the errors identified in the initial testing, extended testing was required and this identified a further thirteen errors (fourteen errors in 2013/2014).
8. The following type of errors were noted in the Auditor's 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
9. As the Auditor's testing is unable to consider 100% of cases in any sub-population due to the sheer volume of the number of claims processed, the errors identified cannot be adjusted on the claim form. Instead of adjusting the form, the Auditor is required to present the extrapolated impact in a qualification letter.
10. The qualification letter was submitted to the Department of Work & Pensions (DWP) setting out details of the errors identified. The value of extrapolated errors totaled £44,386 (2013/14:£167,424). Of this, only £14,363 relates to elements of the claim on which subsidy is receivable, the remaining £30,023 relating to 'information only' cells.
11. The extrapolated error on which subsidy is receivable of £14,363 represents only 0.02% of the total subsidy claimed (£79.730 million). As the extrapolated error was so low, no adjustment to the amount of subsidy payable to the Authority was expected. Following the receipt of the 2014/15 certified claim, the DWP have subsequently confirmed that there are no outstanding issues relating to the claim and that the total amount of Housing Benefit Subsidy payable to the Authority remains unchanged at £79,730,310.

PROPOSALS

12. Although in percentage terms, the value of the errors identified is negligible, the Council and Kier are committed to reducing manual errors in processing claims wherever possible. Even where errors do not affect the monetary value of the subsidy claim, staff will be reminded of the importance of completing claims correctly. Discussions are ongoing between Kier and the Housing Benefits Manager to address specific areas of concern and a targeted approach will be undertaken over the next six months aimed at improving performance and reducing the number of errors made when processing benefit claims.

FINANCIAL CONSIDERATIONS

13. There are no financial considerations.

RECOMMENDATIONS

14. That Members note the content of the report.

REASONS

15. To highlight the errors identified by Deloitte during the certification of the 2014/2015 Housing Benefit Subsidy claim.

BACKGROUND PAPERS

16. Deloitte's certification of claims and returns 2014/15 Annual Report.

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