

Accounts, Audit and Risk Committee

Housing Benefit and Council Tax Benefit Claims for 2010/11 and 2011/12

5 December 2012

Report of Head of Finance and Procurement

PURPOSE OF REPORT

The purpose of this report is to update Members on the actions taken following the audit of the Housing Benefit and Council Tax Benefit Claim for 2010/11 and to make Members aware of the outcome of the audit of the Claim for 2011/12.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) To note the contents of the report

Executive Summary

Introduction

- 1.1 The Audit Commission, as the appointed external auditor last year, was responsible for certifying the Council's claims and returns. The Housing Benefit and Council Tax Benefit Claim for 2010/11 was subject to a number of adjustments and as a result the Audit Commission issued a qualification letter to the DWP as the grant-paying body.
- 1.2 A key part of the Claim is the classification of overpayments. Overpayments arising from claimant error and fraud are claimed at a rate of 40% as there is a presumption that they will be recovered. The rate claimed for overpayments arising from official errors and delays depends on the total value of these overpayments. If the value is below a lower threshold then they are claimed at a rate of 100%. If the value falls between the lower and upper thresholds then they are claimed at a rate of 40%. If the value of these overpayments exceeds the upper threshold then no claim can be made in respect of these overpayments.

- 1.3 The effect of the errors uncovered by the Audit Commission and subsequently extrapolated was to increase the value of overpayments due to official errors and delays from below the lower threshold to above the upper threshold. Consequently, the Council faced a potential reduction in its Claim in excess of £400,000.
- 1.4 The Council agreed with Capita after discussions with DWP to carry out further testing in light of the extrapolation values and the potential loss of subsidy. This work was reviewed by the Audit Commission between January 2012 and April 2012 and a revised qualification letter was sent to DWP in May 2012.
- 1.5 As a result of this further work we were able to reduce the value of overpayments due to official error and delay to below the upper threshold. Consequently, the actual reduction in our Claim was £114,753.
- 1.6 The DWP has accepted the Audit Commission's qualification letter and has recovered £114,753 from the Council. This cost has been split 50:50 with Capita. The Council's contribution is £57,377 and this has been met from reserves.

Lessons Learnt and Outcomes

- 1.7 As a result of the problems encountered with the Claim for 2010/11 a number of learning points were identified.
- 1.8 Firstly, the value of overpayments due to official error and delay in comparison to the lower threshold needs to be monitored regularly in-year and early action taken if it appears that the lower threshold may be breached. The workload must be prioritised so as to maintain a significant margin of safety below the threshold.
- 1.9 Greater care needs to be taken in the preparation of reports delivered to the Audit Commission so that auditors can have confidence in the accuracy of those reports.
- 1.10 Quality checking of individual benefit claims needs to be focussed on new claims and changes of circumstances that result in an overpayment being identified. This was the approach already adopted by South Northamptonshire Council following problems with their Claim a few years ago.
- 1.11 All of these changes were implemented during 2012.
- 1.12 When preparing the pre-audit Claim for 2011/12 the Council was able to report that overpayments arising from official error and delay amounted to £109,532 compared to a lower threshold of £199,238.
- 1.13 The Audit Commission undertook their work on the 2011/12 Claim this year and found errors in the following areas:
 - Temporary accommodation claims – treatment of tax credits
 - Temporary accommodation claims – classification of overpayments

- Temporary accommodation claims – backdating
- Rent allowance claims – classification of overpayments
- Rent allowance claims – backdating
- Rent allowance claims – treatment of pension credits

1.14 Due to the small number of temporary accommodation claims it was possible to check all of the relevant claims make appropriate adjustments to the Claim. Consequently, there was no need for the Audit Commission to make extrapolations or to report on these errors in the qualification letter.

1.15 The Audit Commission did report on the errors found in rent allowance claims as these had to be extrapolated. The value of the extrapolations was £16,624. However, as the value of overpayments due to official error and delay remained below the lower threshold, the effect was to increase the value of the Council's Claim by £576 compared to the initial Claim.

Conclusion

1.16 The problems experienced with the audit of the Claim for 2010/11 appear to have been caused by the transition from the in-house Benefits service to the outsourced contract with Capita. The actions put in place subsequent to that audit greatly improved the audit of the 2011/12 Claim. The Council expects this to also be the case when our claim is made for 2012/13.

Key Issues for Consideration/Reasons for Decision and Options

This report summarises the Audit Commission's findings from the review of our work on the 2010/11 and 2011/12 Claims.

The following options have been identified. The approach in the recommendations is believed to be the best way forward:

- | | |
|-------------------|--|
| Option One | To note the contents of the report |
| Option Two | To raise issues or questions relating to this report |

Implications

Financial: Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully
Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Legal: There are no implications arising from this report
Comments checked by Kevin Lane, Head of Law and Governance 01295 221686

Risk Management: Failure to provide adequate arrangements for the administration and preparation of grant claims result in both financial and reputation risks to the Council.
Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Wards Affected

All

Document Information

Appendix No	Title
None	
Background Papers	
Certification of claims and returns - annual report 2010/11 Correspondence with Department for Communities and Local Government – Pooling Housing Capital Receipts	
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