

## **DELOITTE - ANNUAL GRANT AUDIT LETTER**

**Contact Officer:** Paul Whaymand  
**Telephone:** 01895 556074

### **SUMMARY**

This report provides a summary of the key findings on the grant work undertaken by Deloitte for the year ended 31 March 2011.

### **RECOMMENDATIONS**

The Committee is asked to note the report.

### **INFORMATION**

The attached report addressed to the Audit Committee on 2011 Grant Certifications has been completed by the Council's external auditors Deloitte to communicate the key issues arising from their 2010/11 grant certification work.

The key findings of the report were:

- 8 grants have been certified, 7 of which were submitted and certified by the required deadline. The HRA base data was granted an extension and the grant was submitted and certified by the revised deadline.
- As a result of errors identified during the audit, adjustments were made to 5 of the 8 grant claims prior to certification and qualification letters were issued in respect of 4 grant claims. The reasons for the qualifications were as follows:
  - HRA subsidy base data return - the council were unable to provide an audit trail which supported the classification of housing stock
  - HRA subsidy return - in respect of two adjustments made on the return
  - Teachers' pension return - officers' incorrectly classified additional payments as pensionable and thus deducted pension contributions in error. In addition, a school erroneously submitted teachers AVC deductions to the Council rather than to the AVC provider and the Council then submitted to the TPA.
  - Housing and council tax benefit return – initial testing of 80 cases identified errors on 13 cases, and further testing found a higher than normal level of errors on multiple cases.

Deloitte have committed to holding a feedback session with those officers responsible for the completion of grant claims to help them better understand how to complete the claims taking them through the instructions they follow when undertaking the audit. They have also agreed to deliver a specific session targeted at the Housing Benefits claim.

Internally, in respect of the Teachers' return new arrangements are being implemented in this area and this work will be transferred to the Schools Finance team rather than being done in Payroll, which should provide additional rigour in future.

In Housing and council tax benefits a comprehensive set of actions has been developed to address the audit findings. These include system changes to reduce transcription errors, additional guidelines and documents for Housing Benefit and Housing Needs staff, additional checking of individual calculations in a number of areas to reduce the risk of errors, regular support for staff outside of housing benefits responsible for input information for housing benefit processing and further training based on an analysis of audit findings. A more detail explanation is attached as an appendix.

The total fees charged for the grant certification work to date is £201,583, with further £7k to £9k outstanding. This compares to £155,367 last year. Of this fee, £118,511 relates to the Housing and Council Tax benefits claim, an £18,204 increase on last year. £21,217 of the increase is attributable to the HRA due to the increased cost of auditing the HRA base subsidy returns.

## **LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

## **BACKGROUND PAPERS**

None

### Response to 2010/11 BEN01 Audit

As the Audit Letter points out, it is not unusual for the BEN01 grant to be qualified especially when the volume and complexity of workload is taken into account. The total claim being audited is for £155.4m and relates to a case load nearing 25,000 claimants.

The 2010/11 claim audit covered a period when a number of key events are likely to have had an impact on the audit outcome:

- The number of claimants continued to increase.
- The Local Housing Allowance increased the breadth of factors that needed to be taken into account for the benefit calculation process.
- In common with other areas of the Council, the Benefits Service underwent the BID process. The aim here was to secure staffing efficiencies and although it is envisaged that such efficiencies will be delivered in the longer term, the inevitable uncertainty faced by the staff while the BID process was being conducted is likely to have had an effect on benefit processing.
- A proportion of the increase in documented qualifications appear to be a result of a change in audit approach. In the past some errors such as classification errors would not have been documented once they had been corrected at the audit stage.

Nevertheless, the Benefits Service has taken on board the individual audit qualifications and incorporated this into an improvement action plan which has been developed to minimise future errors. A summary of such changes and actions for minimising errors in the future are outlined below.

A number of errors that involved processing of information received from HMRC for various tax credits and other tax credits will not occur as a result of the introduction of a new system. From July 2011 such data is now being received electronically and fed directly into the Benefits system. This will avoid the transcription errors that were picked by the Benefit Audit.

Some errors resulted from recent changes in benefit levels for Bed and Breakfast (B&B) Accommodation. Previously benefit levels were identical for self contained as well as for accommodation that was not self contained. The rates are now higher for self contained accommodation and consequently such B&B cases have received greater scrutiny. Feedback from the errors uncovered by audit has been provided to staff in the Housing Needs Section along with training and other support such as guides to help ensure the correct property type is selected. This will be followed up by further accuracy checks by Housing Benefit Quality Control team.

Similar feedback has also been provided for errors attributable directly to Housing Benefit staff. A number of actions have already been taken to address the audit findings. These measures to minimise future incidence of errors include the following:

- highlighting individual errors and cascading the information to team leaders to reinforce through the management process;

- a review of standard information such as tax rates for self employed income;
- central control over the up-rating of other standard information that affect housing benefit claims and;
- targeted training based on a training needs analysis in response to the audit findings.

In summary a comprehensive set of actions has been developed to address the audit findings. These include system changes to reduce transcription errors, additional guidelines and documents for housing benefit and housing needs staff, additional checking of individual calculations in a number of areas to reduce the risk of errors; regular support for staff outside of housing benefits responsible for input information for housing benefit processing and; further training based on an analysis of audit findings.