

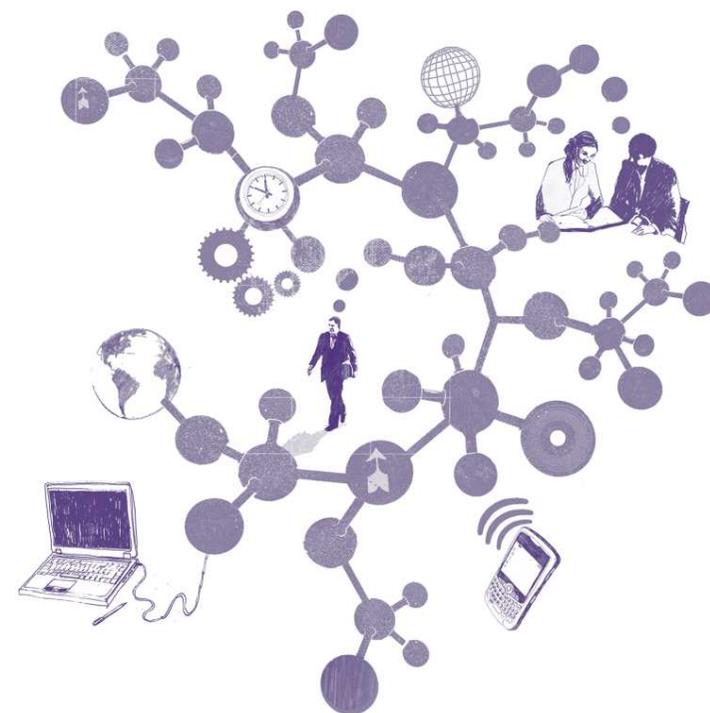
Certification report 2013/14 for South Derbyshire District Council

Year ended 31 March 2014

29 January 2015

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Section 1: Summary of findings

01. Summary of findings

Summary of findings

Introduction

We are required to certify certain claims and returns submitted by South Derbyshire District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2013/14 relating to expenditure of £19.3 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in March 2014.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	The Pooling of Capital Receipts claim was submitted late for audit. However, both claims were certified on time.	● amber
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Certification of the Housing Benefit Subsidy claim found errors which are broadly consistent with those noted in 2012/13. These errors led to nine areas where additional testing was required to be completed by the Council. This is highlighted in the qualification letter issued to the Department for Work and Pensions.	● red
Supporting working papers	Supporting working papers for claims and returns were of good quality.	● green

Certification fees

The indicative certification fee set by the Audit Commission for 2013/14 for South Derbyshire District Council is based on final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix C.

The indicative certification fee for South Derbyshire District Council for 2013/14 was £24,848. A fee variation of (£1,368) is proposed. This fee is subject to approval by the Audit Commission.

The way forward

We set out one recommendation to address the key messages above and other findings arising from our certification work at Appendix B.

Implementation of the agreed recommendation will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
January 2015

Appendices

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim	£18,379,047	No	N/a	Yes	The claim was submitted and certified in accordance with the certification deadlines. As in prior years the claim was qualified. There were a number of errors including income assessment errors and expenditure mis-classification. The overall number of errors identified were consistent with the prior year.
Capital receipts return	£871,810	No	N/a	No	The claim was submitted late for audit. However, it was certified by the deadline.

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>BEN01: Housing Benefits Scheme</p> <p>As noted in previous years, a number of benefit cases across all tenure types were identified as having been processed with incorrect earnings figures and inaccurate income assessments.</p> <p>A number of benefit cases across all tenure types were incorrectly classified.</p> <p>Recommendation</p> <p>The Council should ensure that appropriate quality control arrangements are in place so that all case details are accurately recorded and to minimise the misclassification of benefit expenditure for subsidy purposes.</p>	High	<p>Our sample in year checking shows that we consistently have less than a 5% error rate in accordance with the Service Contract. Clearly however, this is less than sufficient to meet the demands now expected by the DWP and this will be reviewed. Training of assessors occurs regularly on key issues, particularly feedback from HB subsidy audits. It is disappointing to note the continuation of some of the prior year issues, although overall the impact in financial terms on the grant claim is small.</p> <p>A breakdown of the errors identified that the bulk of errors are around misclassifications and are contained in two areas around Non HRA cells 12 and 13 and arise partly from known system issues in the first case whereas the other flows from issues with regard to the treatment of the vulnerable at cell 97.</p> <p>We will therefore review all non HRA cases before submission of the claim for 14/15 and have already partly completed similar work on cell 97 which will also be complete by the time the final claim is due for submission.</p>	Ray Keech

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			<p>This should remove, based on 13/14 outturn, in excess of 80% of the reported classification errors. We appreciate that there is further work to do in Rent Allowance classification and Income assessment generally and will take this forward in future training and quality assurance work.</p> <p>Some of the other issues reported have, as indicated, not been noted before.</p> <p>Finally, our understanding was that the QL, from assurances given by the Audit Commission at a workshop hosted by the DWP, should be amended where there were agreed adjustments to the claim and not qualified. Whilst we understand it may be considered by the External Auditor that there were reasons for not agreeing this, our opinion is that this should have applied, as we requested, to cell 11 and its related cells, where a full check of content was carried out. As a result, in our view, the revised figure could have been fairly stated.</p>	

Appendix C: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	31,270	23,851	21,751	(9,519)	The 2012/13 fee includes £3,500 relating to further testing of the 2012/13 claim in 2013/14 at the request of the Council and Department for Work and Pensions. The actual fee has reduced because of the removal of council tax benefit from the scheme and a reduction in the level of additional testing (40+ testing) required.
Capital receipts return	630	997	1,729	1,099	Additional testing required in 2013/14 under the Audit Commission cyclical approach.
Total	31,900	24,848	23,480	(8,420)	



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