



Certification report 2012/13 for South Derbyshire District Council

Year ended 31 March 2013

11 February 2014

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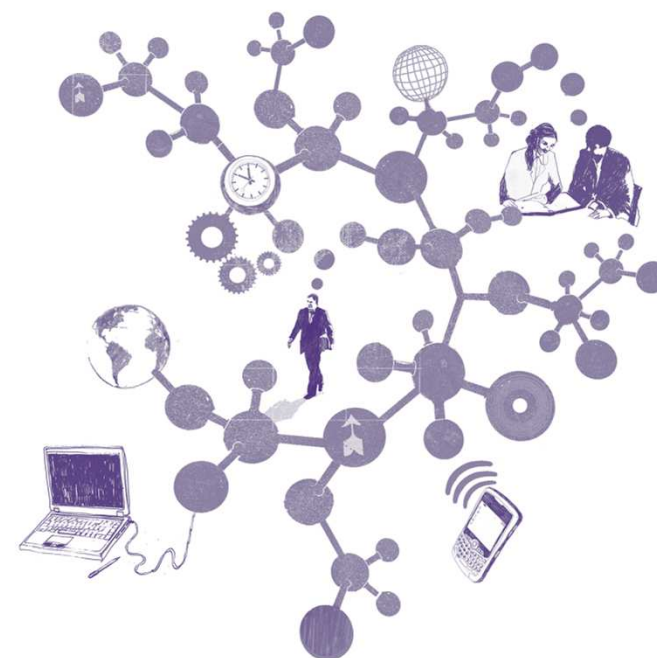
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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain of the 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 three claims and returns for the financial year 2012/13 relating to expenditure of £46.1 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.

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 and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims were submitted on time to audit and all claims were certified within the required deadline.	● green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Certification of the Housing and Council Tax Benefit Scheme found errors which are broadly consistent with those noted in 2011/12. These errors led to 11 areas where additional testing was required to be completed by the Council. In two areas the Council did not complete the work in a timely manner so that a review could be undertaken by audit. This is highlighted in the qualification letter issued to the Department of Work and Pensions (DWP).	● red
Supporting working papers	Supporting working papers for claims and returns were of good quality.	● green

The way forward

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

Certification of the Housing Benefit and Council Tax Subsidy Scheme found that additional testing was required in 11 areas due to the errors identified. Two of these areas were not completed in a timely manner to enable auditor re-performance. This was reported in the qualification letter to the DWP. The Council should work with the audit team to put a timetable in place to complete additional testing so that similar issues are not encountered in future years.

Implementation of the agreed recommendations 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
February 2014

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified three claims and returns for the financial year 2012/13 relating to expenditure of £46.1 million.

The Council's performance in preparing claims and returns is summarised below:

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	3	100	4	100	↔
Claims certified on time	100%	3	100	4	100	↔
Claims certified with amendment	0%	0	0	1	25	↑
Claims certified with qualification	0%	1	33	1	25	↔

This analysis of performance shows that:

- all grants were submitted and certified on time as per the prior year
- there were no claims certified with amendment which is an improvement from the prior year
- the only claim qualified continues to be the housing benefit and council tax subsidy claim.

Details of the certification of all claims and returns are included at [Appendix A](#).

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

- The compilation procedures for each of the grant claims was good. Each of the claims are prepared by experienced officers who are familiar with the grant requirements.
- Supporting working papers for all claims and returns were good and provided in a timely manner. This enabled certification within the deadlines.
- For the housing benefit and council tax grant claim, 11 areas of additional testing were required. The Council were unable to complete the additional testing on two areas in a timely manner, which has been reported in the qualification letter issued to the DWP.

Recommendations for improvement are included in the action plan at [Appendix B](#)

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £31,400. Further work is required on two areas of the housing benefit and council tax claim. When this work is completed we will report the actual fee which is subject to confirmation by the Audit Commission.⁷

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing & Council Tax Benefit scheme	£22,959,653	No	n/a	Yes	Various errors identified in entitlement calculations and expenditure classification which is consistent with 2011/12 findings. Errors identified in all expenditure types which resulted in qualification of the claim
National Non Domestic Rates	£22,229,536	No	n/a	No	
Pooling of Housing Capital Receipts	£956,360	No	n/a	No	
Total	£46,145,549				

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 and Council Tax Benefits Scheme</p> <p>A number of benefit cases across all tenure types were identified as having been processed with incorrect earnings figures, inaccurate income assessments and insufficient audit evidence.</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>Background</p> <p>For historical reasons, the Council is encumbered with a high baseline of review testing. This follows the combined impact of the first year of Grant Thornton as external auditors, an assessment processing environment of two systems (Realink and Academy) during that year, with limited expertise available to support testing. In addition, the introduction of the 'life of claim' methodology compared to single cell transaction testing under the Audit Commission has also increased reviews.</p> <p>This combination of circumstances has led to an extensive regime of review testing. The nature of such is that even a small error as low as 1p in any claim processed within the year leads to a 40 case sampling the next. Although auditor sample testing has seen a decrease in errors identified in 2012/13, compared with the previous year, the extensive scope and volume casework review testing has an adverse impact on reportable errors.</p> <p>2012/13</p> <p>The Auditors comment on results being similar to 2011/12 and whilst that is accepted, the emerging results from that audit in November/December 2012 led to a redefinition of the quality assurances that were in place prior to that audit to improve on performance.</p> <p>However, given that two thirds of the year had already passed the impact of the changes will not be fully visible until the 2013/14 subsidy audit. For example LA error to date (prior to audit) is at 50% for the comparative position in 2012/13.</p> <p>Similarly, the annual internal audit report on benefits processing carried out in December 2013, found no processing errors and gave a comprehensive endorsement of the processing arrangements now in place, clearly suggesting that the revised quality assurance (QA) process is having the desired effect of sustained improvement.</p> <p>Although quality assurance processes are already in place and have been for some time, it is accepted, that despite these improvements, further action is possible.</p>	

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Medium – Some effect on arrangements

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Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
		High	<p>Further Action</p> <p>Within the auditor's qualification letter and attachment, there are a number of specific issues that are capable of being addressed by further testing and revision of validation processes. Our approach will be discussed with the auditor and specifically, but not exclusively, relate to the following areas:</p> <ul style="list-style-type: none"> • Back dating • Extended payments where validation by a second assessor or manager is proposed before being put into payment. • Rent Officer decisions and LHA rents where in year review of these areas has already commenced to identify the root causes whether it be individual processors, processes or a training issue <p>Action plan</p> <ul style="list-style-type: none"> • Revise and put into place authorisation processes for backdating, extended payments and home payments • Introduce enhanced in year review of prior year audit findings, in addition to routine quality assurance, during the period December to March to identify remedial action required. During this period claims will be amended as required within the year. <p>(Note this has already commenced in respect of the 12/13 audit results with the client unit retrospectively reviewing initially the rent allowance cells and Northgate specifically targeting their 10% sampling towards these areas for the remainder of the year).</p>	<p>(Revenues and Benefits Manager - by 31st March 2014)</p> <p>(Client Manager – retrospective analysis completed by 31st March 2014; Revenues and Benefits Manager – targeted 10% sampling completed by 31st March 2014)</p>

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2	<p>BEN01: Housing and Council Tax Benefits Scheme</p> <p>The Council did not complete two out of the 11 areas for additional testing required in a timely manner to enable auditor re-performance by the deadline.</p> <p>Recommendation</p> <p>The Council should work with the audit team to develop a rigid timetable for the completion of any extended testing, so that all issues are resolved before the deadline.</p>	High	<p>Whilst it is accepted that the 2012/13 audit completion was delayed, this was considered to be mainly due to the delayed start by the Auditors when compared to previous years.</p> <p>The Council has limited resources available to it for this work. The cost of buying in additional resources with the necessary skills set is prohibitive in terms of cost. In view of this, both the Council and Northgate expressed concerns at the initial planning meeting for the 2012/13 audit that the proposed timetable was effectively one month later than in previous years and that it would be difficult to complete within the timescale suggested.</p> <p>Work commenced around the last week in August 2013 rather than the first week as normal. The Council considers that given the high level of review testing that there is no reason why this could not start almost immediately after the final claim is submitted, following the selection of the sample by the auditors.</p> <p>Part of the problem this year was the extensive testing required in the two cells where the focus was on income assessment. Inevitably the number of changes in circumstance meant that some individual claims were taking up to a day to review. This adversely affected the estimated timescale for completion. This will be reflected in future planning as regard resource planning and the cells requiring priority completion in relation to others.</p> <p>Action plan</p> <ul style="list-style-type: none"> • Commence review testing earlier • Agree detailed testing broken down by cell type and testing required; analyse details of individual claim changes in detail and agree periodic review dates and minute action points. 	(Client Services Manager – 15th May 2014)

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Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility										
3	<p>BEN01: Housing and Council Tax Benefits Scheme</p> <p>There are some discrepancies between the system parameters used by the Council for entitlement calculation and amounts prescribed by the DWP. This was included in the qualification letter to DWP</p> <p>Recommendation</p> <p>The Council should ensure that parameters are reviewed and adjusted to be in line with DWP requirements.</p>	High	<p>Uprating Circular (A1/2012) issued by the DWP sets out the following in relation to the approach taken by Local Authorities to uprating.</p> <p><i>We are aware that many local authorities' (LA) IT systems apply a percentage increase to uprate income from other social security benefits in the assessment of HB/CTB. In previous years, we have advised that as this method should, in most cases, produce accurate results, providing the LA has satisfied itself as to the accuracy of its method, it should be able to meet its duty to make proper determinations.</i></p> <p><i>However, given the fact that in recent years some of the components paid in addition to the main rate of some benefits and the main rates themselves have been uprated by different indices, LAs should consider carefully whether applying standard percentages will result in correct determinations.</i></p> <p><i>LAs should also take into account that, from December 2012, specific Automatic Transfer to LA Systems (ATLAS) uprating notifications will be issued for all benefits on the Customer Information System (CIS), except Attendance Allowance (AA), Disability Living Allowance (DLA) and Carers Allowance (CA). Should an LA decide to apply a percentage increase to uprate income, as a minimum any information subsequently received via ATLAS should be compared with existing LA system data to ensure it matches.</i></p> <p>Qualification for 2012/13 year relates to</p> <table> <tr> <th>Parameter</th><th>Value from Module 2</th><th>Value from the Academy system</th><th>Difference</th><th>Claims affected</th></tr> <tr> <td>Severe disablement allowance - basic rate</td><td>£69.00</td><td>£79.02</td><td>£10.02</td><td>24</td></tr> </table>	Parameter	Value from Module 2	Value from the Academy system	Difference	Claims affected	Severe disablement allowance - basic rate	£69.00	£79.02	£10.02	24	
Parameter	Value from Module 2	Value from the Academy system	Difference	Claims affected										
Severe disablement allowance - basic rate	£69.00	£79.02	£10.02	24										

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		High	<p>This means that the Council is potentially underpaying claimants, rather than overpaying and as such is protecting its interest as regards subsidy. Within the above DWP Circular, there is no measure of cases paid where there are age related additions paid in addition to the basic rate.</p> <p>Since ATLAS was introduced the Council has checked on a daily basis, as the minimum suggested by the DWP, that values shown on CIS agree to the LA system, Academy. Furthermore it is the claimant's responsibility to also notify any changes and/or differences between the actual income and that used by the Council and set out in notifications of award to the individual.</p> <p>The Council did not carry out a reassessment of cases as it was satisfied that its processes met the requirements set out in the DWP circular. This approach is not dissimilar to that carried out by other authorities and is therefore not unusual. However, given that the matter has now been raised in the Certification report, in addition to the HB qualification letter, further work has been carried out to validate the Council's opinion.</p> <p>Eleven of the cases concerned were passport claims throughout the year and as such the parameter is irrelevant as the overriding criteria that an award of 100% is made (subject to any other statutory deduction). Of the remainder, 10 cases are paid at £69.00 plus either £5.90 or £11.70 as an age related addition; one case was IS but following ATLAS notification was invited to make a standard claim but failed to do so and therefore ended in November 2012. The balance of cases was dormant at 1st April 2012, although they showed on the report produced for the auditors.</p> <p>Although factually there is a difference between the amounts notified in the Uprating Circular A1/2012 to the parameter, in reality, the Council can account for the accuracy of the 24 claims identified, for the above reasons: Therefore, it is considered that the requirements set out in Paragraph 2 in the DWP Circular are satisfied.</p>	

Appendix C: Fees

Claim or return	2011/12 fee (£)	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance (£)	Explanation for significant variances
Housing and council tax benefit scheme	56,515	27,770	*		
National non-domestic rates return	3,885	2690	947	(1,743)	Reduced testing required in 2012/13 under the Audit Commission cyclical approach.
Pooling of Housing Capital Receipts	1,915	940	630	(310)	Reduced testing required in 2012/13 under the Audit Commission cyclical approach.
Total	62,285	31,400			

* the certification work for the Housing and Council Tax Benefit Scheme is not yet complete. When this work is completed we will report the actual fee which is subject to confirmation by the Audit Commission.



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