



## **Exeter City Council**

Certification work report 2011/12

January 2013

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# 1 Executive Summary

## Introduction

- 1.1 Grant Thornton UK LLP, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some six to 12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £112 million.
- 1.3 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

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. 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.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

## Key messages

- 1.6 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

### Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

### Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All of the Council's claims were submitted on time for certification and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	One return was subject to qualification in the current year, as in the prior year. The number of grants which were subject to amendment in the current year increased from none to two indicating a slight deterioration in performance from the prior year.
Supporting working papers	Supporting working papers for all claims and returns were generally of a good standard, which assisted in the timely certification within the deadlines

#### The way forward

- 1.7 We have made one recommendation to reflect findings arising from our certification work at Appendix C.

#### Acknowledgements

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

**Grant Thornton UK LLP**

**January 2013**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £112 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

#### Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
<b>Total claims/returns</b>		4		6		
Number of claims submitted on time	100%	4	100	6	100	↔
Number of claims certified on time	100%	4	100	6	100	↔
Number of claims certified with amendment	0%	2	50	0	0	↓
Number of claims certified with qualification	0%	1	25	1	17	↔

- 2.3 This analysis of performance shows that:
- There were no returns required in 2011/12 for the Housing Revenue Account (HRA) finance base data return or Disabled Facilities Grant reducing the overall number of claims requiring certification from six to four;
  - as in prior years, the Council submitted all of its claims and returns on time, demonstrating its continued commitment to ensuring that appropriate arrangements are in place so that claims and returns are provided to us by the required deadlines; and
  - whilst there has been no change in the number of claims or returns that were qualified, the number of claims and returns that were subject to amendment has increased from none to two, representing a deterioration in performance;
- 2.4 Details on the certification of all claims and returns are included at Appendix B.

- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.
- 2.6 We charged a total fee of £30,841 against an indicative budget of £31,000 for the certification of claims and returns in 2011-12. Details of fees charged for specific claims and returns are included at Appendix B.

### **Significant findings**

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

#### **Certification of Housing and Council Tax Benefits Scheme**

- 2.8 Following the submission of this return to us for certification, the Council subsequently processed further adjustments to its return.
- The Council identified that it was using the incorrect subsidy classification for different rooms within Crescent House. Whilst this resulted in a number of movements between different cells on the claim form the overall impact on the gross benefit expenditure was minimal.
  - During April 2012 Capita, the Council's housing benefits software provider, informed its users that there was an error within its software that might have resulted in potential overpayments. Whilst Capita released an update to fix this error, the accuracy of the fix could not be guaranteed. The Council manually reviewed all the cases that could be impacted and made the necessary changes to the claim form, thereby ensuring that an accurate return was submitted.
- 2.9 As a result of our work performed on the return, we identified the following further matters:
- Data uploads into the Academy system for the DWP's Automatic Transfer to Local Authority System (ATLAS) changes were not being correctly processed by the Academy system. Capita corrected the error in December 2011 and the Council subsequently reviewed all cases where this could have an impact and made the relevant adjustments to the claim.
  - One case was noted where an overpayment had been netted off twice. The Council reviewed all cases where this could have an impact and have confirmed this is an isolated case.
  - Two cases were noted where the Council had overpaid benefits due to the incorrect earnings or assessed pension credit assessed income being recorded in the claim calculations.
- 2.10 As a result of our findings, we were required to select an additional 40 cases to examine. This additional testing is normally undertaken by the Council and reviewed by us, however, Council officers requested our assistance and it was agreed that this additional testing would be undertaken by ourselves. Our additional work identified the following matters.
- One case was noted where the Council correctly entered the claimant's income per the wage slip into the Academy system, however Academy had calculated the incorrect weekly income. Following further investigations by the Council we are satisfied that the current version of Academy will not result in this error occurring again.
  - One additional occurrence of transactions not being created in the Academy system for ATLAS changes was noted.

- One case was noted where the earnings used in the claimants calculation could not be supported by the evidence held within the Council's records.

### **Future Developments**

- 2.11 The Housing Benefit (HB) team is currently going through a process of redesigning the HB system to support the Council in delivering its services more efficiently and providing a better service to its citizens. All elements of the HB system are being looked at and none of the elements from the current system have been taken across. Policies and procedures put in place over previous years have not all been reflected in the new system and this has increased the risk that suitable evidence is not maintained or incorrect payments are made to claimants.
- 2.12 Within our testing we noted one redesign case and the evidence was to a lower standard than the other cases examined. For the period of the subsidy claim the redesign process had just started and therefore the number of cases across the population sampled were relatively low at the time of our work. The number of redesign cases within the 2012-13 claim as a percentage of total cases is expected to substantially increase. The Council should therefore ensure it continues to have arrangements in place to maintain sufficient appropriate evidence for individual claimants underlying entitlement to benefits claimed.

## A Approach and context to certification

### Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

### Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.



### Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

## B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	46,083,770	Yes	46,085,562	Yes	19,985	21,810	Detailed findings are set out in section 2 to this report.
National non-domestic rates return	69,052,940	No	69,052,940	No	3,013	3,173	
Pooling of housing capital receipts	775,431	Yes	775,431	No	1,218	2,425	Due to a change in the certification instruction's basis for assessing the threshold for certification, "Total housing capital receipts subject to pooling" is now used as the basis to determine the scope of testing required. As a result of this change additional testing was required in the current year. Our testing identified that the allocation of the "Administrative costs incidental to disposal" was not considered accurate enough to meet the requirements of the certification instructions. Further work to accurately model the costs resulted in a decrease in amount payable to the pool of £495.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
HRA subsidy	(4,276,670)	Yes	(4,276,670)	No	2,715	2,533	The "Number of dwellings at 1 April 2011 including shared ownership" field was reduced by one dwelling to ensure consistency between this claim form and the Base Data Return.
Reporting to those charged with Governance	-	-	-	-	862	900	
<b>Total</b>	<b>111,635,471</b>		<b>111,637,263</b>		<b>31,576</b>	<b>30,841</b>	£3,596 was charged for 2010-11 schemes that did not require certification for 2011-12.

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefit	The Council should ensure it continues to have arrangements in place to maintain sufficient appropriate evidence for individual claimants underlying entitlement to benefits claimed.	H	<p>The Council has already discontinued the use of paper files (trialled within redesign), as they presented a significant risk to evidence being lost. The evidence already collected in those paper files has been scanned onto the existing dip system to ensure that it cannot be lost. All evidence taken from customers face to face is now scanned immediately onto the system.</p> <p>More evidence workshops are being arranged for January and February, especially for those staff involved in redesign, so as to ensure staff are confident about what is appropriate and necessary to take. They also now have a dedicated resource to support and mentor them. With regard to claims processed prior to scanning being re-introduced, we have identified all cases and have planned to do a risk based check to ensure the quality of evidence and accuracy of those payments.</p>

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