



**Grant Thornton**

## **Copeland Borough Council**

Certification work report 2011/12

February 2013

# Contents

<b>1</b>	<b>Executive Summary</b>	<b>1</b>
<b>2</b>	<b>Results of our certification work</b>	<b>3</b>

## Appendices

<b>A</b>	<b>Approach and context to certification</b>	<b>6</b>
<b>B</b>	<b>Details of claims and returns certified for 2011/12</b>	<b>8</b>
<b>C</b>	<b>Action plan</b>	<b>9</b>

# 1 Executive Summary

## Introduction

- 1.1 Grant Thornton, 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 6-12 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 2 claims and returns for the financial year 2011/12 relating to expenditure of £64.1 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 It should be noted that the work reported in this certification report on the National non-domestic rate return and some of the work on the Housing benefit and council tax benefit scheme claim was undertaken by the Audit Commission prior to our appointment as the Council's auditors. We completed the work on the Housing benefit and council tax benefits scheme claim on 29 November 2012. The findings set out in this report therefore represent the results of our work and that of your previous auditors.
- 1.7 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	Both claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council is performing adequately in terms of the accuracy of the claims submitted to us.
Amendments and qualifications	The National non-domestic rate return was amended. One qualification letter was issued on the Housing benefit and council tax benefit scheme claim. This reported the significant number of errors identified in the detailed testing of benefits cases.
Supporting working papers	Supporting working papers for the compilation of claims and returns were good, which enabled certification within the deadlines.  Individual case files for housing benefit and council tax benefit could be improved to better explain the history of each case including the action taken and reliance on evidence used in the assessment.

### The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the Council in improving the accuracy of the work of its benefit assessors and documenting the evidence used in the assessments. This will reduce the risk of under or overpayment of benefit.

### Acknowledgements

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

**Grant Thornton UK LLP**

**February 2013**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified 2 claims and returns for the financial year 2011/12 relating to expenditure of £64.1 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>		<b>2</b>		<b>3</b>		
Number of claims submitted on time	100%	2	100	3	100	→
Number of claims certified on time	100%	2	100	3	100	→
Number of claims certified with amendment	0%	1	50	2	67	↑
Number of claims certified with qualification	0%	1	50	2	67	↑

- 2.3 This analysis of performance shows that:
- The Council has continued to submit claims for audit on time and assisted us in meeting the certification deadlines
  - Although the number of claims amended and qualified has reduced this reflects the removal of the need for us to certify single programme claims in 2011/12. As last year the National non-domestic rates return needed amending and the Housing benefit and council tax benefit scheme claim was qualified.
- 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 accuracy and documentation of benefits assessments. These are summarised below and recommendations are included in the action plan at Appendix C.

- 2.6 We charged a total fee of £16,114 for the certification of claims and returns in 2011/12. In addition, your previous auditors the Audit Commission, charged a total fee of £25,208 against an indicative budget of £33,145. 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 the Housing benefit and council tax benefit scheme claim**

- 2.8 For the housing benefit and council tax benefit scheme claim we tested an initial sample of 52 individual cases for 2011/12 taken from across the four headline cells. Where errors are identified in the initial sample another sample of up to 40 cases must be tested for the error identified. Errors in the initial sample of cases meant we needed to undertake additional testing in six areas. Revenues and Benefits Shared Service staff did some of the additional testing and we confirmed the findings by undertaking some re-performance. However, they did not have resources available to undertake all the extra testing so it was undertaken by my staff, contributing to the increased fee.
- 2.9 We also undertook early work on uncashed cheques as we identified this as an issue in 2010/11 with assessors using the wrong procedure to cancel them on the system. Our work on uncashed cheques, and that of the Authority's staff, ensured that uncashed cheques were correctly treated and recorded in the 2011/12 claim prior to submission to us and the Department for Works and Pensions (DWP) at the end of April 2012.
- 2.10 We issued a qualification letter on the housing benefit and council tax benefit scheme claim because of errors in the initial sample and to report the outcome of additional testing of individual cases. Additional testing related to Non HRA Rent Rebates, Rent Allowances and Council Tax.
- 2.11 Our work identified errors where assessors for non HRA Rent Rebates:
- used the wrong rent level in assessments leading to an underpayment of benefit
  - miscalculated claimant's income leading to an overpayment of benefit
  - wrongly assessed board and lodgings expenditure as short term leased accommodation
  - used wrong end dates leading to an underpayment of benefit
  - miscalculated eligible rent leading to an overpayment of benefit
- 2.12 Our work identified errors where assessors for Rent Allowances:
- used the wrong Child Tax Credit figure in the assessment although had no impact on benefit paid
  - failed to use a reduced earnings figure in future assessments resulting in an underpayment of benefit
  - miscalculated claimants income leading to an both under and overpayment of benefit
  - used wrong end dates leading to an overpayment of benefit
  - used the wrong date received date in assessment leading to an overpayment of benefit.
- 2.13 Our work identified errors where assessors for Council Tax:
- used the wrong statutory maternity pay figure in the assessment leading to an overpayment of benefit

- failed to re-assess a case from the correct start date after being informed the claimant had returned to work and statutory maternity pay had ceased.
- 2.14 Some of the types of errors identified were similar to those reported in 2010/11. In particular, using wrong rent levels and incorrect calculation of income. The Council needs to take action to improve the accuracy of the work of benefit assessors to minimise the risk of under or overpayment of benefit. To assist the Council in this we have provided them with a detailing listing of the errors identified. The Council should use this to identify any individual or group of assessors making the errors, and any pattern of errors, and provide training to minimise the level of errors going forward.
- 2.15 Our work on individual benefit case files in 2011/12 raised a significantly higher number of queries than in previous years. This was due to several factors:
- some of the cases were complex
  - some of the image documenting was difficult to read but found later on in the file
  - cases where it was difficult to identify how the assessment made linked to the evidence on the file
- 2.16 In other parts of the shared service a control sheet is located on individual benefit case files. This provides a clear case history. It would make sense for control sheets to be used on all benefit case files. This would provide a good audit trail and make it much easier to identify action taken and demonstrate reliance on evidence used in the assessment. This may also assist the Council in reducing the number of errors made on individual cases.

## 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 benefit and council tax benefit scheme	25,828,456	No	N/A	Yes	28,451	36,699	Six areas where errors identified in 2011/12 compared with three in 2010/11. All required extended / 40+ testing. More Manager input required in 2011/12 and additional time on qualification letter in 2011/12 because of number of errors which required reporting to DWP.
National non-domestic rates return	38,308,132	Yes	(790)	No	6,495	2,080	Improved arrangement allowed us to rely on the control environment in 2011/12 which reduced the testing required.
Single programme claims					1,793	0	Claims no longer certified under the Audit Commission regime in 2011/12.
Reporting to those charged with Governance					2,475	2,543	
<b>Total</b>	<b>64,136,588</b>		<b>(790)</b>		<b>39,214</b>	<b>41,322</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing benefit and council tax benefit scheme	Improve the accuracy of the work of benefit assessors to minimise the under or overpayment of benefit.	High	<p>Draft Training Strategy Document for submission to Operational Board restating commitment to training and improvement.</p> <p>Mandatory subsidy training arranged for assessors (27th/28th Feb 2013)</p> <p>Training on treatment of income including earnings and effective dates. Expected May 2013 but date to be confirmed.</p> <p>Data cleansing work currently undertaken and ongoing to pick up non-standard rates.</p>

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing benefit and council tax benefit scheme	Review the listing of errors identified in external audit's work on the 2011/12 benefit claim. Identify any pattern of errors and provide training to individual assessors or on specific areas of the assessment.	High	<p>In addition to the above training plan and data cleansing, we have carried out an intensive check on Non HRA claims testing for scheme types, start and end dates and eligible rent figure. Results were summarised and recommendations made to Benefits Manager and Team Leaders to ensure there is sufficient control and internal procedural guidance in place for Non HRA claims.</p> <p>The arranged training will raise awareness for the impact on subsidy. Treatment of income and effective dates will cover the errors found already and should improve accuracy.</p> <p>A full review of individual assessor error is still to be completed. The results of the external audit work will be reviewed by Benefits Team Leaders and compared to the individual error results as reported within the Quality Assurance Module which is now in operation across the shared service. Timescale end of March 2013.</p> <p>An advert for 1 x Quality Assurance and 0.5 x Senior Quality Officer vacant positions is imminent. This will give us the extra resources needed to continue to monitor and review individual accuracy levels.</p>

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing benefit and council tax benefit scheme	Introduce a control sheet on individual case files to provide a clearer case history. This will provide a good audit trail and make it easier to identify action taken and reliance on evidence used in the assessment.	High	Recommendations have been taken on board regarding the use of a control sheet throughout the shared service. Assessment processes are currently being reviewed and aligned and it is expected that the control sheet will be introduced when the process of next mail has been implemented across the shared service over the coming months. Benefits Manager to review in April 2013 and confirm anticipated implementation date.

**[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)**

© 2013 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication