



## **Plymouth City 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>5</b>
<b>B</b>	<b>Details of claims and returns certified for 2011-12</b>	<b>7</b>
<b>C</b>	<b>Action plan</b>	<b>8</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 certified 3 claims and returns for the financial year 2011/12 with expenditure totalling £207 million. The certified claims and returns related to Housing and Council Tax Benefit; National Non Domestic Rates (NNDR); and Teachers Pensions. The Council also submitted a return for capital receipts but as this was below the £125,000 threshold it did not require audit certification.
- 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 are set out, in more detail, in the next section of this 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 claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	The Council is performing well and there was only one significant matter arising from our certification of claims and returns. This related to errors that were made by a particular member of staff who was supplied by an agency to process Housing Benefit claims. Our testing identified that the agency worker had incorrectly calculated benefit entitlement in some instances. The Council's policy is to undertake 100% checks on new employees. This level of checking reduces to 10% when the Council is satisfied that processing is of a required standard. Our work identified that this policy for checks was not adhered to in 2011/12, which may have contributed to the level of errors identified through our audit work. We have recommended that improvements should be made to the level of checks performed on new processing staff within the Benefits section.
Amendments and qualifications	Only one of the grants examined in 2011-12 required amendment and qualification - this was the Housing Benefit Subsidy grant as a result of the issue described above.
Supporting working papers	Supporting working papers for claims and returns were of a good standard. This enabled us to meet the certification timescales and the relevant department deadlines.

### The way forward

- 1.8 We have made a recommendation to address the issue of quality checks undertaken on cases processed by new Benefit staff. Management have agreed to implement improvements and details are included in the Action Plan in Appendix C.

### Acknowledgements

- 1.10 We would like to take this opportunity to thank the grant claim subsidy officer 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 certified 3 claims and returns for the financial year 2011/12 relating to total expenditure of £207 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>		3		6		
Number of claims submitted on time	100%	3	100	3	50	↑
Number of claims certified on time	100%	3	100	6	100	→
Number of claims certified with amendment	0%	1	33	2	33	↔
Number of claims certified with qualification	0%	1	33	1	17	↔

- 2.3 This analysis of performance shows that:
- the Council's overall performance in preparing claims and returns has improved since 2010/11, with one less claim requiring amendment. The number of claims requiring qualification has remained the same (although the proportion of the total has increased due to a smaller number of claims and returns requiring certification).
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 We identified one significant matter and an opportunity for improvement in the compilation of the Housing and Council Tax Benefit claim. Our recommendation is detailed below and in the action plan at Appendix C.

- 2.6 We charged a total fee of £53,319 against an indicative budget of £50,000 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 issue was identified in relation to the management arrangements and certification of individual grant claims and returns.

#### **Certification of Housing Benefit and Council Tax Benefits Grant**

- 2.8 For this scheme, we are required to test a random sample of 20 claims for each of the four benefit types, Rent Allowances, Council Tax Benefit, Rent Rebates and Non HRA Benefits. The Audit Commission certification instruction requires that if we identify any errors in the initial sample, we are required to undertake additional work.
- 2.9 Our initial testing identified an error within the amount claimed in respect of Council Tax Benefit. This was due to erroneous processing by an agency worker employed within the Benefits section in 2011/12. As a result of the errors identified all claims processed by agency worker were extracted from the Benefits system. We performed additional testing on a further 20 cases. The results of our testing concluded that this agency worker had made multiple errors in both Council Tax and Rent Allowances cases.
- 2.10 The Council has a policy in place that requires a 100% check on the claims processed by a new member of staff until officers are satisfied that the required levels of accuracy are met. This check is then reduced to a standard 10% sample for all staff. The results of our audit testing and the level of errors identified indicate that this policy was not adhered to and that the work of this particular member of agency staff was not reviewed effectively during the year.
- 2.11 Our enquiries indicated that the checking process was not undertaken in this instance due to staff sickness and the restructuring of the benefits section. We have therefore recommend that the Council complies with its policy and ensure that all new members of staff, including those employed through an agency, with a check on a sample of 100% of claims processed which is then reduced to 10% when required accuracy levels have been achieved.

# 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 overpage.

<b>Role</b>	<b>2011/12</b>	<b>2010/11</b>
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	116,392,135	Yes	Nil – one adjustment was made - this did not have an impact on overall subsidy	Yes	32,883	43,318	Additional testing was required this year for Rent Rebates, Council Tax and HRA rent rebates. We also had to perform drill down testing on claims processed by a specific member of agency staff due to errors being identified in the initial sample.
National non-domestic rates return	80,428,264	No	0	No	4,535	8,064	Additional testing required as a result of a number of complex NNDR cases relating to prior year adjustments.
Teachers' pensions return	10,385,544	No	0	No	2,410	967	Only Part A testing required in 2011/12.
<b>Cost of reporting to those charged with governance</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>978</b>	<b>970</b>	
<b>Other grants</b>					<b>11,160</b>	<b>0</b>	
<b>Total</b>	<b>207,205,943</b>		<b>1</b>	<b>1</b>	<b>51,966</b>	<b>53,319</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
<p>Housing Benefit and Council Tax Benefit Claim.</p>	<p>Robust Quality Assurance arrangements, in line with the Council's current policy, should adhere to and the benefit assessments of all new staff, including those employed through an agency, should be checked to minimise the risk of errors in the benefit awarded and subsequent qualification of the grant claim</p>	<p>H</p>	<p>A problem arose with the last audit around the checking of an agency workers work. The problem arose in that with all new staff, agency etc. are given 100% checks until such time as the checker is satisfied with the quality – we then revert to random sampling. In this case the 100% checks were being carried out but due to a change in team leader the checks were not then picked up. All team leaders were reminded of their responsibilities and we now have a small team set up who would be responsible for ensuring that these checks are undertaken by the relevant team leader.</p>

[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