

# Certification report 2013/14 for the London Borough of Lewisham

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**Year ended 31 March 2014**

**January 2015**

**Darren Wells**

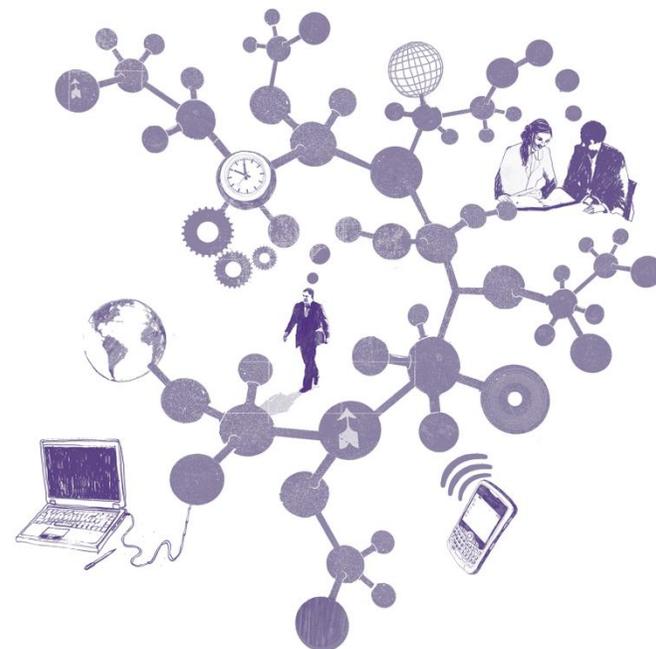
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# Section 1: Summary of findings

## 01. Summary of findings

# Summary of findings

## Introduction

We are required by the Audit Commission to certify certain claims and returns submitted by the London Borough of Lewisham ('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 on behalf of the Audit Commission for the financial year 2013/14 relating to expenditure of £235.7 million. These were:

- Housing benefits
- Housing capital receipts pooling

We have also certified the Teachers Pension return which also required certification but was not part of the Audit Commission's regime.

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.

For the Teachers pension return the scope of the work was agreed between Grant Thornton, the Council and Teachers Pensions and was set out in the letter of engagement.

## 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
<b>Submission &amp; certification</b>	Claims and returns were submitted and certified in line with the Government Department deadlines.	Green ●
<b>Accuracy of claim forms submitted to the auditor (including amendments &amp; qualifications)</b>	The number and frequency of errors in the Housing benefits claim was higher than in the previous year. There were a number of amendments to the Teachers Pension return. None of the errors identified had a material effect on the amounts of the claims or returns.	Amber ●
<b>Supporting working papers</b>	The Teachers Pension return did not have a proper audit trail and did not agree to supporting records. Other claims were supported by good working papers. The Council does not retain evidence for housing benefit claims over six years old.	Amber ●

## **Housing and council tax benefits claim**

We certified the housing and council tax benefits claim on 27<sup>th</sup> November 2014, in compliance with the Department of Work and Pensions deadline.

As in previous years the claim was qualified. We noted that both the types of errors and the frequency of errors had increased since the previous year. The main categories of error were:

- incorrect classification of cases.
- incorrect calculation of earnings; and
- incorrect calculation of eligible rent.

In accordance with the Department of Work and Pensions approach, the higher incidence of errors required us to carry out more samples of extended testing (nine samples in 2014 compared with three in 2013). The Department requires extended testing as a basis to quantify and extrapolate errors on a consistent basis.

It is worth noting however that none of the errors we reported were material in the context of the claim.

We subsequently met with senior finance and benefits staff to explore the reasons for increasing error rates. Key reasons include increased numbers and complexity of benefit claimants and staffing and resource pressures at the Council. These issues are not unique to Lewisham:

We agreed to revisit these discussions before starting our work on the 2014/15 benefits claim.

A further issue we reported in our qualification letter is that the Council has a policy of disposing of records after six years. As part of our random sampling we identified and reported six cases where there had been no change of circumstances in over six years. As a consequence, the Council was not able to demonstrate that benefit was correctly calculated and paid for the cases in question. We also reported this fact in 2012 and 2013. The Department of Work and Pensions has since written to the Council for further explanation, and this has been the subject of additional correspondence.

## **Housing capital receipts pooling**

We certified the housing capital receipts pooling return. The return was prepared to a good quality standard and was supported by good working papers. We identified one minor error in the return, but this did not affect the amount payable into the pool.

## **Returns outside the Audit Commission regime – Teachers Pension**

The Teachers pension return is no longer part of the Audit Commission regime, but still requires an auditor's certificate. We agreed with officers that we would carry out the certification in 2014 as we had certified this return in previous years.

The return has been qualified in previous years and was also problematic in 2014. We recommended last year that the Council should retain payroll records to support the teachers pension return. This year the Council did retain payroll records but did not provide an audit trail to reconcile the return to the payroll information. This trail had to be recreated by the audit team. The return did not agree to the underlying payroll records. Consequently the Council had to make numerous adjustments to the draft return. We issued an unqualified certificate on the revised return.

In our view the responsibilities and arrangements for producing the teachers pension return are not clearly defined, leading to on-going issues in the production of the return. Addressing these issues would reduce the time taken and the cost of certifying the return.

### **Certification fees**

The indicative certification fee set by the Audit Commission for 2013/14 for the 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 the Council for 2013/14 was £26,443. We have proposed a fee increase of £9,819. This is because the number and types of benefits errors we identified were significantly higher than in the reference year 2011/12 and required significantly more audit time than originally envisaged.

It is worth pointing out however that certification fees are still less than the comparative figures for 2012/13 and are continuing a downward trend. We have discussed with management how further efficiencies could be built into the certification process in future.

### **The way forward**

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B. We note that these were also recommendations in 2012/13.

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 auditor 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 on behalf of the Audit Commission in 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim	£233,820,773	Yes	0	Yes	Amendments did not affect the overall amount of subsidy payable
Capital receipts return	£ 1,884,988	Yes	0	No	There was one amendment which did not impact on the amount payable to the pool

# 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	Formalise procedures for the Teachers Pension return, so that arrangements and responsibilities for 2014/15 are clear.	Medium	A series of meetings with the key stakeholders has started, which seek to strengthen existing procedures and ensure that lines of responsibility for specific areas of this activity are clear	April 2015, Selwyn Thompson
2	Ensure the Teachers pension return is reconciled to the underlying monthly payroll summaries.	Medium	A process of review and monthly sign off of reconciliations will be introduced, including monthly payroll adjustments	April 2015, Robert Campbell
3	Review the errors in the 2013/14 Housing benefit records, and target quality assurance processes at minimising similar errors occurring in future	Medium	Review to take place in time to inform the next audit	June 2015, Mick Lear
4	Review the Council’s policy of disposing of all information on the document imaging system which date back to more than six years.	Medium	Review to take place in time to inform the next audit	June 2015, Mick Lear

## Appendix C: Fees for claims and returns certified on behalf of the Audit Commission

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	39,978	24,273	34,092	(5,886)	Subject to confirmation by the Audit Commission
Capital receipts return	2,600	2,170	2,170	(430)	
<b>Total</b>	42,578	26,443	36,262	(6,316)	



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