

# Certification report 2012/13 for the London Borough of Lewisham

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**Year ended 31 March 2013**

January 2014

**Darren Wells**

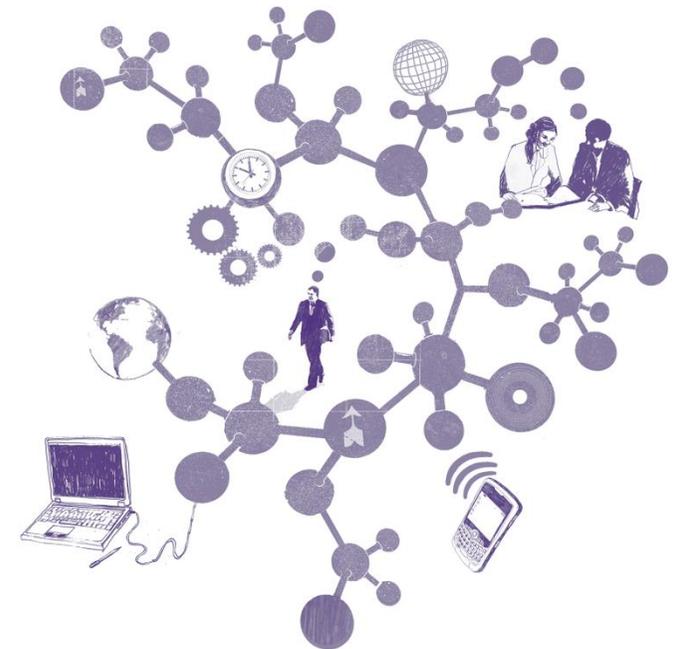
Director  
T 01293 554 120  
E [darren.j.wells@uk.gt.com](mailto:darren.j.wells@uk.gt.com)

**Jamie Bewick**

Senior Manager  
T 01293 554 138  
E [jamie.n.bewick@uk.gt.com](mailto:jamie.n.bewick@uk.gt.com)

**Stephen Richards**

Executive  
T 020 7728 3340  
E [stephen.j.richards@uk.gt.com](mailto:stephen.j.richards@uk.gt.com)



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# Executive summary

## Introduction

We are required to certify certain of the 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 four claims and returns for the financial year 2012/13 relating to expenditure of £326 million.

This report summarises our overall assessment of your 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.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan.

## 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 following table and set out in detail in the next section of the report.

Aspect of certification arrangements	RAG rating
Submission & certification	● Amber
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	● Amber
Supporting working papers	● Amber

# Results of our certification work

## Key messages

We have certified four claims and returns for the financial year 2012/13 relating to expenditure of £326 million. The four claims and returns were:

- National Non Domestic Rates pooling;
- Housing capital receipts pooling;
- Housing and council tax benefits; and
- Teachers pension return.

Your performance in preparing claims and returns is summarised below:

### Teachers Pension return

There were significant issues with your arrangements for producing the Teachers pension return. A photocopy of the return was presented to us on 7<sup>th</sup> October 2013, which was several months later than the due date of 30 June. It had also been submitted on an incorrect form.

Officers did not retain the audit trail of the payroll data used to produce the return. Therefore we were initially unable to verify the information in the return to its source. Officers had to reproduce an audit trail retrospectively, which was a difficult and time consuming process. There was a difference of over £50k between the claim and the revised audit trail, which contributed to our qualification of the return.

Responsibilities for producing the return were unclear and disjointed between the accounting and payroll functions. Officers did not respond promptly to our requests for supporting evidence and consequently we had to escalate this to the Interim Head of Financial Services. In order to simplify arrangements he decided that the responsibility for producing the Teachers Pension return should sit with the payroll function.

Additionally we identified classification errors affecting the amounts disclosed as refunds, which we reported in the qualification letter.

Officers have responded constructively to our comments on the Teachers pension return. Subsequent to certifying this return we met with the Interim Head of Financial Services and senior payroll managers to discuss the lessons learned for 2013/14.

### Housing and council tax Benefits

As in previous years the Housing and council tax benefits claim was qualified. In our detailed testing of payments to a sample of benefit claimants we identified several errors affecting rent allowances, rent rebates and council tax benefits. Most of the errors fell into two main categories which were:

- misclassifications of overpayments; and
- incorrect calculation of earnings.

# Results of our certification work

We have discussed these errors with the benefits team, who agreed to review these for 2013/14.

While we did identify a number of errors in the sample, the financial value of the errors was small and did not materially affect the amount of subsidy due to the Council. Benefit regulations are complex and the quantum of errors at London Borough of Lewisham is not inconsistent with other similar councils.

Another qualification point was that in some longstanding cases you were not able to provide supporting evidence of the claimant's entitlement to benefit. This is because the Council has a policy of disposing of paper records after six years. We note the reasons for this policy, however under the DWP's certification requirements this issue is likely to continue to lead to future qualifications of the claim.

Officers were helpful and cooperative in providing the information we needed for our work, and this contributed to us being able to certify the claim well in advance of the deadline.

## **National Non Domestic Rates Pooling (NNDR)**

The NNDR return was produced to a good standard and we did not identify any errors. Management produced good quality working papers to support the return and responded promptly to our queries.

As an improvement point for 2013/14 management should retain the original signed version of the return for audit certification.

## **Housing Capital Receipts Pooling**

The capital receipts pooling return was produced to a good standard. We did not identify any errors and we certified the return without amendment.

## **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 scale fee for the Council for 2012/13 is £68,700. This is set out in more detail in Appendix C.

## **The way forward**

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

## **Acknowledgements**

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 2014**

# Appendices

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

Claim or return	Value £'000s	Amended?	Amendment (£)	Qualified?	Comments
NNDR	46,739	Yes	0	No	Claim was recertified because the Council did not retain the original signed copy
Capital Receipts Pooling	2,540	No	0	No	
Housing Benefit subsidy	258,098	No	0	Yes	Claim was qualified mainly due to the number of errors found in testing of payments to individual claimants.
Teachers pension	18,625	Yes	0	Yes	Original claim was submitted on the wrong form and was therefore recertified

# 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 the draft written procedures for the Teachers Pension return, so that arrangements and responsibilities for 2013/14 are clear.	High	Officers have now documented a process for producing the 2013/14 Teachers Pension return, and they have clarified the accountability for it.	Immediate
2	Retain monthly summaries of teachers pension contributions, and ensure the claim is reconciled to the underlying evidence.	High	Monthly summaries of teachers pensions are now being retained so the claim can be reconciled to the underlying evidence	Immediate
3	Retain original copies of grant returns for auditor certification, to comply with the grant paying body's instructions	Medium	All officers responsible for grant claims have been reminded of the need to retain signed copies for auditor inspection	Immediate
4	Review the errors in the 2012/13 Housing and Council tax benefit records, to minimise similar errors occurring in future	Medium	Staff have been assigned to focus on identifying errors and weakness and to address this	Immediate
5	Review the Council's policy of disposing of all information on the document imaging system which date back to more than six years.	Medium	The Council's document management system has an automatic retention policy which is set for 6 years from receipt. Officers can demonstrate other elements in support of claims eg continued communication with the claimant, on-going award of benefits, receipt of benefit related information. The DWP have accepted this.	Not applicable

# Appendix C: Fees

Claim or return	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance (£)	Explanation for significant variances
Housing benefits subsidy claim	45,430	45,430	0	
Housing capital receipts pooling claim	2,600	2,600	0	
Teachers Pension return	12,420	12,420	0	
National non-domestic rates return	8,250	8,250	0	
<b>Total</b>	<b>68,700</b>	<b>68,700</b>	<b>0</b>	



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