



# Grant Thornton

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17 February 2016

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Dear Janet

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## **Certification work for London Borough of Lewisham for year ended 31 March 2015**

We are required by the Public Sector Audit Appointments Limited (PSAA) to certify certain claims and returns submitted by Lewisham Council ('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.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing benefit subsidy claim for the financial year 2014/15 on behalf of PSAA relating to expenditure of £233.6 million. Further details are set out in Appendix A and B.

We certified the housing benefits claim on 26th November 2015, in compliance with the Department of Work and Pensions deadline. As in previous years the claim was qualified and we have noted that error types have increased since the previous year. The main categories of error were:

- Incorrect classification of cases.
- Incorrect classification of overpayments
- Incorrect calculation or input of income (earnings, tax credits, pension)

In accordance with the Department of Work and Pensions approach (HBCOUNT), where we identify errors we are required to carry out extended testing. There were 14 extended samples during 2014/15 compared to nine extended samples in 2013/14 (three during 2012/13). The Department requires extended testing as a basis to quantify and extrapolate errors on a consistent basis.

As previously observed and reported the Council has a policy of disposing of records after six years meaning that in some cases the council no longer holds information to support the assessment performed and so is not able to demonstrate that benefit was correctly calculated. This related specifically to one sample during 2014/15. We reported this fact to the DWP during the previous three years since 2011/12 and the Department of Work and Pensions has to date taken no action after requesting and receiving explanations from the Council.

It is worth noting however that none of the errors we reported were material in the context of the claim and cannot be isolated to one specific reason. However reasons will include increased case numbers and complexity, staffing and resource pressures at the Council. Although these issues are not unique to Lewisham, we would recommend that benefit officers review the errors identified during 2014/15 to provide additional training to staff and focus quality assurance procedures to reduce their frequency.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, which reflects the amount of work required by the auditor to certify the claims and returns in that year (three instances of additional sampling). The indicative scale fee set by the Audit Commission for the Council for the 2014/15 housing benefits claim is £39,980. This is set out in more detail in Appendix B.

We have proposed a fee increase of £15,000 (£9,819 in 2013/14). This is because the number and types of benefits errors identified were significantly higher than those in the indicative fee (which uses 2012/13) requiring significantly more audit time than envisaged. There were 14 extended samples during 2014/15 compared to just three during 2012/13 (base year).

Yours sincerely



Darren Wells  
For Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for PSAA 2014/15**

<b>Claim or return</b>	<b>Value (£)</b>	<b>Amended?</b>	<b>Amendment (£)</b>	<b>Qualified?</b>	<b>Comments</b>
Housing benefits subsidy claim	233,687,721	Yes	+118	Yes	As in previous years the claim was qualified. We noted that error types had increased since the previous year.

**Appendix B: Fees for 2014/15 PSAA certification work**

<b>Claim or return</b>	<b>2012/13 fee (£)</b>	<b>2014/15 indicative fee (£)</b>	<b>2014/15 proposed actual fee (£)</b>	<b>Variance (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	39,978	39,980	54,980	15,000	Additional work on housing benefits when compared with the base year. Significantly higher incidence of error which led to an additional 14 examples of extended testing compared with three in the base year, which had to be evaluated, agreed and reported in the Qualification letter.
Total	39,978	39,980	54,980	15,000	