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# Certification of grants and returns 2012/13

Doncaster Metropolitan Borough Council

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Introduction and background	<p><b>This report summarises the results of work on the certification of the Council's 2012/13 grant claims and returns.</b></p> <ul style="list-style-type: none"> <li>For 2012/13 we certified:           <ul style="list-style-type: none"> <li>5 grants and returns with a total value of £219m.</li> </ul> </li> </ul>	-
Certification results	<p><b>We issued unqualified certificates for three grants and returns, but qualifications were necessary for the other two claims and returns.</b></p> <ul style="list-style-type: none"> <li>We issued a qualification letter on the Council's Housing Benefits Subsidy claim to report on a range of issues described in more detail on page 4. In summary these relate to i) errors in the assessment of claimant income ii) omission of year end BACs and cheque payment runs from the subsidy claim iii) misclassified backdated expenditure and iv) prior year un-cashed cheques not recorded in line with certification instructions.</li> <li>We issued a qualification letter on the Council's Teachers' Pensions Scheme Return to report that i) the Council's old payroll system (which was replaced in January 2013) did not provide information on tiered contributions required by the new Regulations applicable from 1 April 2012; and ii) that there were unexplained differences between the payroll information derived from the old payroll system and the entries on the Teachers' Pensions Return.</li> <li>For comparison, we qualified two claims (Housing Benefits and Pooled Housing Capital Receipts) in 2011/12.</li> </ul>	Pages 3 – 4
Audit adjustments	<p><b>Adjustments were necessary to two of the Council's grants and returns as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>The Housing Benefits Subsidy claim was increased by £509,438 almost entirely as a result of errors in adjustments made to entitlement and overpayments following the move from the old in-house benefits system, CTX1, to the new Northgate benefits system in December 2012.</li> <li>A minor reduction of £539 was made to the White Rose Way Improvement transport claim.</li> <li>This compares to adjustments made in 2011/12 of £974,868 for the National Non Domestic Rates return, £53,966 for the Employer Based Initial Teacher Training grant and £1,430 for the Housing Benefits Subsidy claim.</li> </ul>	Pages 3 – 4
The Council's arrangements	<p><b>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work, but some further improvements can be made.</b></p> <ul style="list-style-type: none"> <li>The implementation of a new benefits system during 2012-13 lead to problems resulting in the qualification of and significant amendment to the Housing Benefit Subsidy claim as described above. The Council should address the resulting issues relating to omission of payments runs and misclassification of backdated expenditure by implementing the recommendations detailed on pages 6 and 7.</li> <li>We did not make any recommendations for improvement in 2012/13.</li> </ul>	
Fees	<p><b>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Council of £40,300. Our estimated actual fee for the certification of grants and returns is £53,422. The difference is due to the need to complete additional testing on: the housing benefit claim due to introduction of a new benefits system during the year; teachers' pensions return and pooled housing capital receipts return due to changes in scheme requirements; and a transport claim which was not included in the indicative fee. Please note that the additional fee of £13,122 is still awaiting Audit Commission approval.</b></p> <ul style="list-style-type: none"> <li>These fees compare to a total charged for 2011/12 of £66,054, including £9,467 for claims discontinued after 2011/12.</li> </ul>	Page 5

Overall, we certified 5 grants and returns:

- 1 was qualified with a significant amendment;
- 1 was qualified with no amendment;
- 1 was unqualified with a minor amendment; and
- 2 were unqualified with no amendment.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2012/13 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefit	1	● ●			
Pooling of Housing Capital Receipts					●
National Non Domestic Rates return					●
Teachers' Pensions return	2	●			
Transport Grant	3			●	●
		2	1	1	3

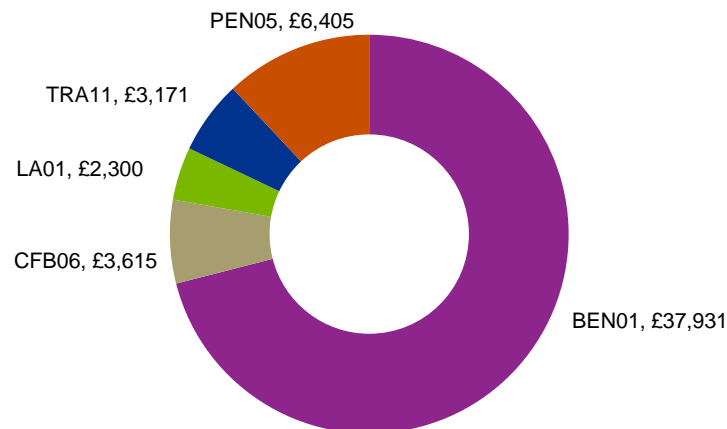


This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p><b>Housing and council tax benefits</b></p> <ul style="list-style-type: none"> <li>The claim was qualified in respect of two issues which have also arisen in previous years: errors in the assessment of claimant income leading to overpaid and underpaid benefit and disclosure of prior year un-cashed cheques. The first issue can impact on the level of subsidy claimable and is therefore one that the Council should continue to seek to address. No corrective action is required in respect of the un-cashed cheques disclosure issue which was peculiar to the old CTX1 benefits system.</li> <li>There were two new issues identified in 2012/13 which also resulted in qualification: year end rent allowance payments omitted from the subsidy claim and misclassified backdated expenditure. All payments on the 26<sup>th</sup> March 2013 cheque pay run and the 26<sup>th</sup> March 2013 BACS pay run had been omitted from the subsidy claim (£102,583 in total) due to an error in setting the year end (payment) marker on the Northgate system. The misclassification of backdated expenditure does not impact on subsidy claimable but it is an issue which should be addressed to avoid future qualification by the auditor.</li> <li>The Council changed its benefits system in December 2012 (from in-house CTX1 system to Northgate) and this required some significant and complex adjustments to be made to the subsidy claim. Three large errors were identified i) £367,260 relating to errors where current year overpayments were incorrectly counted as prior year overpayments, ii) £117k,735 relating to understatement of benefit entitlement by the value of prior year overpayments and iii) £102,854 relating to reversal of an original incorrect adjustment. The effect of these together with a small number of minor amendments was to increase the overall subsidy claimed by £509,438.</li> </ul>	+£509,438
2	<p><b>Teachers' pensions return</b></p> <ul style="list-style-type: none"> <li>The return was qualified because the Council's old payroll system (in place for the period April 2012 to December 2012) did not provide the tiered contribution information required for the first time in 12/13 under the new Regulations. The return was also qualified in respect of several unexplained discrepancies between the entries on the Teachers Pensions' return and the underlying (old) payroll system. There were no issues arising following the introduction of a new payroll system in January 2013 therefore we have not made any recommendations for improvement.</li> </ul>	£0
3	<p><b>Transport Grant</b></p> <ul style="list-style-type: none"> <li>The Department for Transport claim was amended to exclude £539 expenditure which had already been funded by a different grant stream (ERDF).</li> </ul>	-£539

Our overall fee for the certification of grants and returns is estimated at £53,422 which is 33% above the original estimate reflecting additional work necessary on the Housing Benefit, Teachers' Pensions and Transport claims. The £13,122 additional fee is subject to confirmation by the Audit Commission.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return

	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	37,931	43,222
CFB06 – Pooling of Housing Capital Receipts	3,615	2,770
LA01 – National Non Domestic Rates return	2,300	6,025
PEN05 – Teachers' Pensions return	6,405	4,570
TRA11 – Transport Grant	3,171	0
Discontinued claims	0	9,467
<b>Total fee</b>	<b>53,422</b>	<b>66,054</b>

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £40,300. Based on the actual work we carried out the actual fee we charged was £13,122 or (33%) higher than the indicative fee. The reason for the fee exceeding the indicative fee was that additional testing was required as follows:

- additional work (fee £8,000) was required on the Housing Benefits claim as a result of the Council introducing a new benefits system partway through the financial year. Testing was required on both the inhouse CTX1 system and the new Northgate system. Extra testing was also required to review the significant and complex cut off adjustments made following the move to the new Northgate system.
- additional work (fee £2,205) was required to test the move to tiered contributions and to address the issues on the Teachers' Pensions return that required a qualification to our audit certificate;
- the White Rose Way Improvement scheme transport grant (fee £3,171) was not included in the indicative fee;
- we carried out detailed testing on the Pooled Housing Capital Receipts return (£2,205), due to changes in the 2012/13 scheme requirements, which was not included in the original indicative fee;

Of the above fee £13,122 is still subject to confirmation by the Audit Commission, and consequently our fee information is presented as estimated rather than final.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

### Priority rating for recommendations

<p><b>1</b> Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p><b>2</b> Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Housing benefits</b>					
<p><b>Omission of BACS/cheque payment runs.</b></p> <p>All payments on the 26<sup>th</sup> March 2013 cheque pay run and the 26<sup>th</sup> March 2013 BACS pay run had been omitted from the subsidy claim (£80,259 and £22,324 respectively). This error had arisen because the year end marker was set on the first payment run rather than the third (and last) payment run on 26<sup>th</sup> March 2013.</p>	<p>Rent Allowance expenditure understated and subsidy underclaimed by £102,583 in the 2012/13 subsidy claim. Qualification issue.</p>	<p><b>1</b> Payments to be included in 2013/14 subsidy claim. The Council should ensure that the year end marker is set on the final payment run in 2013/14.</p>	<p><b>2</b></p>	<p>Setting of year end marker on the final payment run is built into year end procedures. This was a one-off error.</p>	<p>Chris Bolton Completed</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Housing Benefits</b>					
<p><b>Claimant income errors</b></p> <p>Errors in claimant income (earnings, child tax credit and working tax credit) leading to both overpayments and underpayments of benefit. The introduction of Automation to ATLAS MANAGER in April 2013 should help to reduce the number of errors as the transfer of tax credit information is now electronic and no longer requires manual input.</p>	<p>Incorrect calculation of benefits payable. Qualification issue.</p>	<p>2</p> <p>The Council should undertake a review of cases of this type with a view to correcting any errors before the financial year end and the submission of the 2013/14 subsidy claim.</p>	<p>2</p>	<p>Further checks will be carried out on cases where ATLAS has not been used to automatically determine the assessment of income. Further work is also planned to maximise the number of transactions carried out via ATLAS.</p>	<p>Cathy Woods/Chris Bolton 31/3/14</p>
<p><b>Backdated expenditure</b></p> <p>Benefit entitlement incorrectly classified on Northgate as backdated expenditure. However expenditure recorded in backdate cells (which repeats benefit entitlement already recorded in the subsidy headline cells) is effectively for management information purposes only.</p>	<p>Qualification issue but no impact on subsidy.</p>	<p>3</p> <p>The Council should identify why backdate misclassifications have occurred and take appropriate action to ensure that similar errors are avoided in future. The Council should undertake a review of backdated expenditure with a view to correcting errors before the financial year end and the submission of the 2013/14 subsidy claim.</p>	<p>2</p>	<p>Misclassification errors occurred due to a misunderstanding of the Northgate system functionality in this area. All staff have been given clear information on how to record these transactions and further checks will be carried out to ensure staff are now following the correct procedure.</p>	<p>Cathy Woods 31/3/14</p>





## Certification of grants and returns 2012/13

### Prior year recommendations

We did not make any recommendations in our 2011/12 Certification of Grants and Returns report.



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