



## **Wirral Council**

Certification work report 2011/12

9 January 2013

# Contents

<b>1</b>	<b>Executive Summary</b>	<b>1</b>
<b>2</b>	<b>Results of our certification work</b>	<b>4</b>

## Appendices

<b>A</b>	<b>Approach and context to certification</b>	<b>6</b>
<b>B</b>	<b>Details of claims and returns certified for 2011-12</b>	<b>8</b>
<b>C</b>	<b>Action plan</b>	<b>9</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 have certified 3 claims and returns for the financial year 2011/12 relating to expenditure of £246 million.
- 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 It should be noted that all work relating to the certification of the Teachers Pensions return and National Non Domestic Rates return in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent some of the results of your previous auditors' work.
  - 1.7 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 set out in detail in the next section of the 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**

<b>Aspect of certification arrangements</b>	<b>Key Message</b>
Submission and certification	<p>All claims were submitted on time for certification and all claims were certified within the required deadline.</p> <p>For the Housing Benefit Claim the Authority made manual amendments to the claim. These adjustments were as a result of an external 'Benefit Maximisation review'. The Council officers had not carried out their own verification checks on the adjustments to the claim. Therefore we were unable to certify the effectiveness of the arrangements in place by the authority to satisfy itself that the Chief Financial Officer's certificate should be given.</p>
Accuracy of claim forms submitted to the auditor  Amendments and qualifications	<p>All three claims submitted to us required amendment. A qualification letter was submitted for the Housing Benefit Claim. The main adjustments to the Housing Benefit claim were for manual adjustments proposed by an external consultant. As these had not been checked by Wirral MBC staff this led to additional work and wording in the Qualification Letter.</p> <p>Backdating errors were reduced compared to the prior year, but continue to be an issue for further consideration by the Wirral MBC Benefits Quality Assurance team. Every error we found in this area related to cases with underlying liability for the period incorrectly marked as 'backdated'.</p> <p>We found a number of other errors in our detailed case testing which were extrapolated, these are set out in detail in the Qualification Letter.</p>
Supporting working papers	<p>Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.</p> <p>Quality assurance arrangements could be improved on the Teachers Pensions claim to ensure the claim form is checked for errors prior to submission for certification.</p> <p>Support from Housing Benefit staff and local system access combined with timely receipt of reports and uprating evidence enabled the certification process to proceed in an efficient manner.</p>

### **The way forward**

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 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 fees.

### **Acknowledgements**

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

**Grant Thornton UK LLP**

**9 January 2013**

## 2 Results of our certification work

### **Key messages**

- 2.1 We have certified 3 claims and returns for the financial year 2011/12 relating to expenditure of £ 246 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

### **Exhibit Two: Performance against key certification targets**

<b>Performance measure</b>	<b>Target</b>	<b>Achievement in 2011-12</b>		<b>Achievement in 2010-11</b>		<b>Direction of travel</b>
		<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>	
<b>Total claims/returns</b>		<b>3</b>		10		
Number of claims submitted on time	100%	<b>3</b>	<b>100</b>	9	90	↑
Number of claims certified on time	100%	<b>3</b>	<b>100</b>	8	80	↑
Number of claims certified with amendment	0%	<b>3</b>	<b>100</b>	8	80	↓
Number of claims certified with qualification	0%	<b>1</b>	<b>33</b>	5	50	↑

- 2.3 This analysis of performance shows that:
- There is an improvement on the number of claims submitted and certified on time and a reduction in the number of claims certified with qualification.
  - The nature of the Housing Benefit COUNT methodology and Certification Instruction BEN01 mean that amendments and a Qualification Letter are likely unless all system reconciliations and cases are correct.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.

- 2.6 We charged a total fee of £18,057 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £57,156. Details of fees charged for specific claims and returns are included at Appendix B.

### **Significant findings**

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

#### **Grants co-ordination**

- 2.8 No significant issues identified with Grants co-ordination.

#### **Compilation procedures**

- 2.9 No significant issues identified although there is scope for improvement within the quality assurance procedures on the Teacher Pensions claim.

### **2.10 Certification of Housing Benefit BEN01**

- The classification of backdated claims continues to be an area where errors are identified. The volume of errors decreased compared to 2010-11 but there is still scope for further improvement.
- The use of external consultants to propose manual adjustments, which were not checked by benefits staff due to the timing of the claim submission and certification timetable, resulted in additional work and the requirement to raise the issue for Department for Work and Pensions consideration via the qualification letter.
- The two main areas where errors affecting subsidy were found were minor errors in income calculations not matching information provided and in classification of overpayments, particularly where there was no underlying liability and so the overpayment should be technical overpayment.
- There were a number of minor errors that did not impact subsidy that benefits staff should be aware of in considering future quality assurance arrangements, including household composition information not matching between the Council Tax and Housing Benefit systems, and incorrect Child Benefit being recorded.

## 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 below.

Role	2011/12	2010/11
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

<b>Claim or return</b>	<b>Value (£)</b>	<b>Amended ?</b>	<b>Amendment Amount (£)</b>	<b>Qualified ?</b>	<b>Fee 2010/11 (£)</b>	<b>Audit Commission Fee 2011/12 (£)</b>	<b>Grant Thornton Fee 2011/12 (£)</b>	<b>Total Fee 2011/12 (£)</b>
Housing and council tax benefit scheme	165,678,624	Yes	165,712	Yes	52,152	44,437	17,292	61,729
National non-domestic rates return	61,500,415	Yes	-1	No	5,121	7,725		7,725
Teachers' pensions return	19,741,260	Yes	-617	No	3,060	4,319		4,319
Reporting to those charged with Governance						675	765	1,440
<b>Total</b>	<b>246,920,299</b>		<b>165,094</b>		60,333	57,156	18,057	75,213

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefit BEN01	To enable effective S151 officer signing of the authority certificate, adjustments from systems, Quality Assurance and consultants reports should be checked and verified by benefits staff prior to submission of the claim.	H	Every effort is made to address issues arising from the production of system reports during the 4 week period before claim submission to minimise the number of adjustments post submission .Historically intervention has taken prior to the production of those reports and, subject to resources, this will continue and prevent the issue highlighted for 2011/12 from recurring.
Housing Benefit BEN01	Errors in backdating and income calculation were repeated from previous years. The Authority's internal Quality Assurance should continue to focus on these areas.	M	Errors relating to backdating do not effect a reduction in Subsidy but the priority can change whilst errors in income calculation tend to due to individual data entry errors. There is no overarching training issue specifically linked to backdating of claims.. The QA team continues to focus on these areas as an intrinsic part of their wider QA testing
Housing Benefit BEN01	Classification of technical overpayments where there is no underlying liability, particularly in relation to Council Tax benefit, should be reviewed prior to submission of the claim.	M	This issue has now been incorporated into the checking regime
Teachers Pensions PEN05	Ensure there is a robust Quality Assurance process to check the claim form prior to submission for certification.	M	Agreed that this will be implemented on June 2013 prior to claim submission by Compliance Manager and Grant Co-Ordinator.

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