



West Lancashire Borough Council

Certification work report 2011/12

January 2013

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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 four claims and returns for the financial year 2011/12 relating to expenditure of £73 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 All work reported 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 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

Aspect of certification arrangements	Key Message
Submission and certification	The majority of claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	Two claims were subject to qualification. One was also amended
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines. However, there were some delays in providing us with the information required for one claim.

The way forward

- 1.8 We have made one recommendation following our work on the 2011/12 claims.
- 1.9 We followed up progress on recommendations made in the 2010/11 certification of claims annual report. There were no significant matters which remained outstanding.

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

January 2013

2 Results of our certification work

Key messages

- 2.1 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £73 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		4		6		
Number of claims submitted on time	100%	3	75	N/K	N/K	
Number of claims certified on time	100%	4	100	6	100	→
Number of claims certified with amendment	0%	1	25	1	17	↓
Number of claims certified with qualification	0%	2	50	1	17	↓

- 2.3 This analysis of performance shows that the number of claims presented for certification continues to fall due to changes in thresholds, changes in government funding, and changes to the way in which the Council funds social housing stock.
- 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 Your previous auditors, the Audit Commission, charged a total fee of £38,291 for the certification of claims and returns in 2011-12. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

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

Certification of the housing and council tax benefit scheme

- 2.8 The original grant claim was submitted for audit in April. This was ahead of the submission deadline of 30 June 2013. However, the initial claim had been compiled using an incorrect version of Capita's benefits software. The claim was therefore withdrawn from us. A corrected claim was provided for audit in August.
- 2.9 The Council should only pay benefit, and can only claim subsidy, up to the amount of council tax due from the claimant. If the Council does not apply the single occupancy discount to the council tax account correctly, the benefit awarded, and the subsidy claimed from DWP, are overstated. Our testing of Council Tax Single Person Discount (SPD) cases in 2010/11 highlighted a number of cases where the SPD had not been applied to single occupancy properties. We therefore tested a sample of applicable SPD cases in 2011/12 and identified 75 cases where SPD was incorrectly treated. As a result, £9,794 of benefit was overpaid and subsidy was overclaimed.
- 2.10 We experienced some delays in obtaining information to support our testing of benefit claims. Agreed deadlines for providing the information were not achieved and our work had to be rearranged to accommodate the delays. We recognise that the Council's benefits processing team has undergone significant change during the year and we will continue to work with officers to ensure we can minimise the impact on our work so that the certification deadlines can be achieved.

Certification of the national non-domestic rates return

- 2.11 We identified an incorrect property "change in value" adjustment. This resulted in an incorrect calculation of transitional relief. The error was extrapolated and our findings were reported in the qualification letter.

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

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	37,961,000	Yes	595	Yes	27,502	28,340	
National non-domestic rates return	28,748,000	No	None	Yes	569	3,496	More detailed testing required per the Audit Commission certification instructions
Pooling of housing capital receipts	498,000	No	None	No	868	900	
Housing revenue account subsidy	6,210,000	No	None	No	3,540	5,083	More detailed testing required following our control environment assessment
Planning and reporting					N/A	473	In prior years planning and reporting time was not charged separately
Total	£73,417,000		£595		£39,728	£38,291	Additional claims were certified in 2010/11

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
<p>Housing and Council Tax benefit scheme.</p>	<p>Ensure that all applicable software systems upgrades and patches are run and all required adjustments undertaken prior to submission of the MPF720A claim for audit</p>	<p>H</p>	<p>In relation to the completion of the final HB/CTB Final Subsidy Claim an amended software patch release to the Capita Benefits system relating to completion of this claim, was received from Capita on 24 April 2012. The above release was, unfortunately, not loaded in time to produce the subsidy claim information required to meet the deadline for submission of 30 April 2012. The correct software release was subsequently loaded, tested and signed off to enable a correct and final claim to be submitted.</p> <p>One Connect Limited have implemented significant improvements in the management of software including updates, testing and sign off which will ensure that in future, correct software versions are in place in time to run final subsidy claim data within statutory deadlines.</p>

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and Council Tax benefit scheme.	Ensure single person discounts are properly treated and are applied to accounts in a timely manner.	M	<p>Historically the Borough Council operated two disparate software systems, i.e. Civica Council Tax and Capita Benefits, and the reconciliation of Single Person Discount data did present challenges in terms of keeping both systems in line in this respect. One Connect Limited highlighted this problem and introduced manual processes to reconcile this information periodically via a snapshot in time.</p> <p>Now that One Connect Limited who deliver the Benefits Service on behalf of the Borough Council, have migrated to a new, single Northgate software solution this will provide greater automation and reconciliation functionality within that single, core system, to ensure that this data is maintained accurately.</p>
Housing and Council Tax benefit scheme.	<p>All parties should agree a timetable for the 2012/13 Housing and Council Tax Benefit audit programme.</p> <p>The timetable should detail all key deliverables, responsibilities and deadlines.</p>	M	Agreed

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