



## **Trafford Council**

Certification work report 2011/12

February 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 and the Audit Commission have certified three claims and returns for the financial year 2011/12 relating to expenditure of £235 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 those 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 The National non-domestic rates return and part of the Housing and Council Tax Benefit claim 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 auditor's work as well as our own.
- 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  | All three claims were submitted to us on time to audit. We certified the Teachers' pensions return on the 18 December 2012 after the auditors certification deadline of 30 November 2012. This was due to delays in receiving supporting evidence to audit the claim. The two other claims were certified within the required deadlines.                          |
| Accuracy of claim forms submitted to the auditor<br>Amendments and qualifications | Overall the Council is performing well. Of the three claims certified with a total value of £235,053,194 only the Housing and Council Tax Benefit required amendments and qualification. The amendments resulted in increased grant entitlement of £17,858 and the qualification letter related to relatively minor issues.                                       |
| Supporting working papers   | With the exception of the Teachers' pension return the supporting working papers were sufficient to enable certification within the deadlines. Payroll interrogation reports supporting the Teachers' pension return were not supplied to us until after the deadline. The delay was due in part to the implementation of the new payroll system during the year. |

### 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 Council officers for their assistance and co-operation during the course of the certification process.

**Grant Thornton UK LLP**

**February 2013**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified three claims and returns for the financial year 2011/12 relating to expenditure of £235 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.                    | %   |                     |
| <b>Total claims/returns</b>                   |        | 3                      |     | 5                      |     |                     |
| Number of claims submitted on time            | 100%   | 3                      | 100 | 5                      | 100 | →                   |
| Number of claims certified on time            | 100%   | 2                      | 67  | 5                      | 100 | ↓                   |
| Number of claims certified with amendment     | 0%     | 1                      | 33  | 1                      | 20  | →                   |
| Number of claims certified with qualification | 0%     | 1                      | 33  | 1                      | 20  | →                   |

- 2.3 This analysis of performance highlights the late certification of the Teachers' pension return which is considered further in paragraph 2.12.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified 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 £15,910 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £35,397 against an indicative budget of £40,500. Details of fees charged for specific claims and returns are included at Appendix B.

### **Audit findings**

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

#### **Certification of Housing and Council Tax Benefit Claim**

- 2.8 Expenditure in certain cases was netted down in error for recovery of overpayments from previous years resulting in understatement of subsidy. This was due to the way the cases were coded within the Benefits system. We carried out additional work to identify all such cases. The claim was amended for these cases with resulting additional grant entitlement of £15,760. Similar errors also took place in the previous two years and the Council has submitted claims to the Department of Works and Payments (DWP) which we have reviewed. The additional grant entitlement resulting from this work is £46,407.
- 2.9 There were a number of other small amendments made to the claim resulting in further grant entitlement of £2,098. The overall adjustment to the claim taking into account all our findings resulted in additional grant entitlement of £17,858. This amendment represents less than 1% in the total value of the claim and reflects a good performance in the context of the complexity of the entries within it.
- 2.10 We issued a qualification letter to the DWP relating to issues on the misclassification of overpayments. Similar findings have been included in qualification letters for the last two years and are fairly common reporting issues for this type of claim.
- 2.11 We recommend that the Council review procedures to ensure that recoveries in overpayments are treated correctly for subsidy purposes.

#### **Certification of Teachers' Pension Return**

- 2.12 The deadline for auditors certification of the Teachers' pension return was 30 November 2012. We certified this return on the 18 December 2012. This return was certified late as interrogations reports supporting the contributions included in the return were not provided by the Council until after the deadline. The delay in part was due to the implementation of the new payroll system during 2011/12.
- 2.13 We recommend that the Council takes steps to ensure that all working papers (including payroll interrogation reports) are produced at the same time the return is compiled. These working papers should also be subjected to an independent review to ensure adequacy and completeness.

## 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.

| <b>Role</b>     | <b>2011/12</b> | <b>2010/11</b> |
|-----------------|----------------|----------------|
| 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 | 75,386,290         | 17,858   | 75,404,148           | Yes        | 28,992          | 41,949          | Additional testing required in 2011/12 resulting in amendment to claim and additional subsidy of £17,858.<br><br>(Note : since the finalisation of the 2011/12 claim further testing on the 2009/10 and 2010/11 claims has also gained additional subsidy of £46,407).<br><br>Qualification letter issued on the misclassification of overpayments.<br><br>Higher cost staff mix in 2011/12. |
| National non-domestic rates return     | 147,546,000        | 0        | 147,546,000          | No         | 4,293           | 3,510           | Lower cost staff mix used in 2011/12.  |
| Teachers' pensions return              | 12,120,904         | 0        | 12,120,904           | No         | 2,496           | 5,847           | Delays in providing payroll interrogation reports and higher cost staff mix in 2011/12.  |
| <b>Total</b>                           | <b>235,053,194</b> |          | <b>235,071,052</b>   |            | <b>35,781</b>   | <b>51,307</b>   |  |

## C Action plan

| Claim or return                        | Recommendation   | Priority (L/M/H) | Management response & implementation details  |
|--|--|------------------|---|
| Housing and Council Tax Benefit Scheme | The Council should review procedures to ensure that recoveries in overpayments are treated correctly for subsidy purposes. | L                | Based on the findings of the review, training has been updated and all relevant staff have attended a refresher course. Alongside this initiative, more targeted checks have been introduced to identify whether there are systemic issues. This is a complex area, with many transactions, sometimes requiring a degree of interpretation by staff. Some human error is inevitable, however, whilst previous error rates were already low the new training regime would appear to have reduced errors still further. |

| Claim or return          | Recommendation  | Priority (L/M/H) | Management response & implementation details   |
|--------------------------|---|------------------|--|
| Teachers' Pension Return | The Council should ensure that all working papers (including payroll interrogation reports) are produced at the same time the return is compiled. These working papers should also be subjected to an independent review to ensure adequacy and completeness. | M                | <p>The delay in producing the working papers to support this return was due to the implementation of the new HR/Payroll system mid-way through the reporting period. As the next return will be captured in full from the new system all supporting documentation will be available promptly to support the return within the deadlines set.</p> <p>Reconciliation processes have been reviewed and reporting requirements implemented that support each monthly remittance to the Teacher's Pension Authority this will in turn provide the backing documentation to support the annual teachers' pension return.</p> |

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