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# *Annual Certification Report 2013/14 Wolverhampton City Council*

*Government and  
Public Sector – Annual  
Certification Report to  
those charged with  
governance.*

*February 2015*



**The Members of the Audit Committee**

Wolverhampton City Council  
Civic Centre  
St Peters Square  
Wolverhampton  
West Midlands  
WV1 1SH

09 February 2015

Our Reference: WCC/1314/Cert

Ladies and Gentleman

**Annual Certification Report (2013/14)**

This report gives you an overview of our certification work and fees for the year ended 31 March 2014.

We certified four claims and returns worth a net total of over £130m. Of these two were amended, but none required a qualification letter. There are no issues to report about the Authority's arrangements for claims and return preparation arising from our work.

We reviewed progress with the matters we raised from the 2012/3 work, and found that they had either been resolved or were no longer relevant.

Going forward, with changes in the Audit Commission structure, only the Housing Benefit Subsidy claim will be subject to certification under the existing regime. All other requests for auditor assurance work for claims and returns will operate outside of these engagement arrangements.

Yours faithfully,

PricewaterhouseCoopers LLP

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# ***Introduction***

## ***Scope of Work***

Each year some grant-paying bodies may request certification by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and is one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (CIs) issued to us by the Audit Commission; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also consider the results of certification work when performing other Code of Audit Practice work at the Authority, including our conclusions on the financial statements and value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

## ***Statement of Responsibilities***

The Audit Commission publishes a 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' this is available from the Audit Commission website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

# Results of Certification Work

## Claims and Returns certified

A summary of the claims and returns certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below. The Audit Commission require that all matters arising are either amended for (where appropriate) or reported within a qualification letter.

No qualification letter was required for either claim. Both of the claims were amended following the certification work undertaken, however both changes were not significant.

All deadlines for authority submission of the claims and returns were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 7.

### Summary:

<b>CI Reference</b>	<b>Scheme Title</b>	<b>Form</b>	<b>Original Value £</b>	<b>Final Value £</b>	<b>Amendment</b>	<b>Qualification</b>
BEN01	Housing Benefit Subsidy	MPF720A	118,157,031	118,157,031	Yes*	No
CFB06	Pooling of Housing Capital Receipts	2013Po6 (on LOGASnet)	8,008,805.91	8,008,805.91	No	No
TRA11	Local Transport Plan: major project – Wolverhampton Centre Access & Interchange	S31 AUD Form 13-14	197,578	197,578	No	No
TRA11	Local Transport Plan: major project – West Midlands UTC	S31 AUD Form 13-14	4,875,115	4,874,817	Yes	No

\* Amendments have no impact on the overall value of the claim or return.

# Certification Fees

The fees for certification of each claim and return are set out below:-

Claim/Return	2013/14 Indicative Fee	2013/14 Proposed Final Fee*	2012/13 Billed Fee	Comment
	£	£	£	
BEN01 Housing Benefit Subsidy	25,504	25,504	24,927	Council Tax subsidy ceased in 13/14 resulting in no requirement for auditor testing.
CFB06 Pooling of Housing Capital Receipts	1,774	1,774	3,613	
TRA11 Local Transport plan: major projects – West Midlands Red Routes Package 1	0	0		Certification was not required in 2013/14 - below the minimum level.
TRA11 Local Transport plan: major projects – Wolverhampton Centre Access & Interchange	6,983	6,983	8,187	
TRA11 Local Transport plan: major projects – West Midlands UTC				
PEN05 Teachers Pensions return	0	0	6,725	This scheme was removed from Audit Commission arrangements for 2013/14
LAO1 National Non Domestic Rates	0	0	2,438	This scheme was removed from Audit Commission arrangements for 2013/14
<b>Total</b>	<b>34,261</b>	<b>34,261</b>	<b>45,890</b>	

\* The Proposed final fee is subject to change based on the reduction in the level of work required in 2013/14.

These fees reflect the Council's current performance and arrangements for certification.

# ***Matters Arising***

## *BEN01 Housing Benefit Subsidy Claim*

No significant issues were identified.

## *CFB06 Pooling of Housing Capital Receipts*

No significant issues were identified.

## *TRA11 Local Transport plan: major projects – Wolverhampton Centre Access & Interchange*

No significant issues were identified.

## *TRA11 Local Transport plan: major projects – West Midlands UTC*

No significant issues were identified.

## *Prior year recommendations*

We have reviewed the progress made by the Authority in implementing the certification action plan for 2012/13; details can be found in Appendix B.

# Appendix A

## Management Action Plan: Prior year issues (2012/13)

For 2013/14 under Audit Commission certification arrangements, the following schemes did not apply:

- LA01 National Non Domestic Rates
- PEN05 Teachers Pensions Return

Alternative arrangements may have been entered into directly between the grant paying bodies and assurance practitioners, however for the purposes of this report, which is focused on Audit Commission certification work, these schemes have been excluded; on this basis where issues arose in prior year these are now excluded from the action plan.

### BEN01 Housing Benefit Subsidy Claim

Issue	Prior year Recommendation	2012/13 Management response	Recommendation Status 2013/14
<p><b>Non-compliance with regulations / terms and conditions.</b></p> <p>The number of errors identified during 2012/13 represents an increase from 2011/12 in terms of the number of case fails; however, the financial impact has reduced substantially.</p> <p>In total 124 failed cases were identified during the course of BEN01 certification work, out of a total sample population of 405 cases tested (31%).</p> <p>116 failed cases had either no financial impact or resulted in amendments to the original claim form, thus were not included within the qualification letter.</p> <p>8 failed cases were reported in our qualification letter dated 26 November 2013.</p> <p>In summary, the errors identified during 2012/13 related to:</p> <ul style="list-style-type: none"> <li>• Incorrect application of child tax credits on council tax benefits claims;</li> <li>• Incorrect application of working tax credits and</li> </ul>	<p>The error types identified each relate to more complex areas, these being application of tax credits and application of extended payments. The Authority should focus training, support and specifically in year review of claims around these error types.</p> <p>The Authority should conduct its own checks and control process throughout the year to ensure that its final subsidy claim (deadline 30<sup>th</sup> April) submitted to both DWP and auditors and certified by the Section 151 officer is fairly stated and in accordance with terms and conditions of the scheme at their date of signature; rather than retrospectively.</p>	<p>As reported in the management response last year, steps have been taken to address the issue of application of child tax / working tax / pension credits through automated input directly from DWP notification.</p> <p>This was completed in January 2013 as per the commitment in the management response however as that was part way through the year it was always likely that this issue would be present to some extent during 2012/13.</p> <p>In respect of minimum wage and extended payment calculations, these form part of a documented checking regime which is designed to address any issues at the earliest opportunity. This process has been backed up by a series of workshops for staff.</p> <p>In summary whilst still with room for further</p>	<p>Similar issues were not identified in the 2013/14 testing performed.</p>



<p>child tax credits on housing benefits claims;</p> <ul style="list-style-type: none"> <li>• Incorrect application of extended payment period and subsequent income;</li> <li>• Missed increases applicable to the national minimum wage rate; and</li> </ul> <p>Incorrect application of pension credit income.</p>		<p>improvement the findings show a significantly improved position over last year as evidenced by there being no amendment to the value of the claim and the cost of external audit time was significantly reduced from 2011/12.</p>	
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(Due to the removal of Council Tax subsidy from the 2013/14 claim form, any issues noted in 2012/13 in relation to this particular benefit type have been excluded.)

**TRA11 Local Transport Plan: Major Projects - West Midlands Red Routes Package 1**

Issue	Prior year Recommendation	2012/13 Management response	Recommendation Status 2013/14
<p><b>Non-compliance with regulations / terms and conditions.</b></p> <p><u>Inclusion of 2011/12 expenditure</u> The Authority advised in a covering letter dated 17 September 2013, an estimated total value of £39,000 for 2011/12 expenditure being included within the 2012/13 claim; this letter, with the Authority’s consent, was sent to the DfT with our qualification letter.</p> <p>The Authority has provided us with a breakdown of expenditure, in which it identified a total value of £37,984 expenditure incurred in 2011/12 and included within the 12/13 claim. We identified no further 2011/12 balances within our sample testing and through agreement to prime documents.</p> <p>This was reported in the qualification letter dated 20 December 2013. Similar matters were reported in prior years.</p> <p><u>Payments to third parties</u> We also reported that for a sample of 10 transactions, four of these related to a partner authority. Prime evidence to support reimbursement</p>	<p><u>Risk:-</u> The Authority could be penalised for improper completion of the claim with delayed or withheld payments for earlier periods.</p> <p><u>Recommendation:-</u> The claim should be compiled in line with guidance and reviewed to ensure that all expenditure claimed for is eligible and relates to the relevant financial period.</p> <p>The Authority deadline for submission to the DfT and auditors is not until September after the year end. The Authority should review the invoices received to ensure that they are assigned to the correct claim period.</p> <p><u>Risk:-</u> Payments are made to Partner Authorities for which prime documentation cannot be obtained to support payments made.</p> <p><u>Recommendation:-</u></p>	<p>Recommendations noted.</p> <p>We continue to liaise with partners in order to obtain supporting evidence for the inclusion of accruals in year- end claims. This information will then be reviewed at the time of preparing the next claim and audit statement.</p> <p>Partners are made aware of the claw back risks associated with these costs before they are included in the claim</p>	<p>This project did not require certification as the threshold was below minimum level.</p> <p>Inclusion of prior year expenditure was no longer an issue because Department for Transport permitted the authority to claim prior year expenditure.</p>

<p>payments made to the partner by the Authority had not been obtained at the time of payment. The Authority obtained invoices to support transactions from the third party at our request, and in one case invoice evidence was not available.</p>	<p>The Authority should request that prime documents are provided by Partner Authorities to support claims made. These should be retained by the Authority in order to retain an audit trail of all payments made and expenditure claimed.</p>		
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**TRA11 Local Transport Plan: Major Projects - West Midlands UTC**

<b>Issue</b>	<b>Prior year Recommendation</b>	<b>2012/13 Management response</b>	<b>Recommendation Status 2013/14</b>
<p><b>Non-compliance with regulations / terms and conditions.</b></p> <p>Sample testing identified the 2012/13 claim included 2011/12 eligible expenditure of £115,604 which had not been included in the 2011/12 claim. The values related to invoices dated late March 2012 or April 2012.</p> <p>The Authority acknowledge with a covering letter to PwC dated 17 September 2013, that 2011/12 expenditure was included in the claim, an estimate of the total value was not provided; this was sent to the DfT with our qualification letter with the Authority consent.</p> <p>This was reported in the qualification letter dated 20 December 2013. Similar matters were reported in prior years.</p>	<p><u>Risk:-</u> The Authority could be penalised for improper completion of the claim with delayed or withheld payments for earlier periods.</p> <p><u>Recommendation:-</u> The claim should be compiled in line with guidance and reviewed to ensure that all expenditure claimed for is eligible and relates to the relevant financial period.</p> <p>The Authority deadline for submission to the DfT and auditors is not until September after the year end. The Authority should review the invoices received to ensure that they are assigned to the correct claim period.</p>	<p>Recommendation noted.</p> <p>We continue to liaise with partners to improve the process for identifying accruals and collecting supporting evidence for these entries. This information will then be reviewed at the time of preparing the next claim and audit statement.</p>	<p>Inclusion of prior year expenditure was no longer an issue because Department for Transport permitted the authority to claim prior year expenditure.</p>

# Glossary

## *2013/14 Schemes applicable to the Authority under the Audit Commission Certification arrangements*

### ***BEN01 Housing Benefit Subsidy Claim***

Local authorities responsible for administering statutory housing benefit (HB) of rent rebates to tenants of a local authority and rent allowances to private tenants; claim subsidy from the Department for Work and Pensions (DWP). With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent of expenditure incurred.

### ***CFB06 Pooling of Housing Capital Receipts Return***

Since 2004/05, local authorities pay part of a housing capital receipt into a national pool run by the Department of Communities and Local Government (DCLG). Pooling applies to all authorities, including those with closed HRAs who typically receive housing receipts in the form of mortgage principal and Right to Buy (RTB) discount repayments.

### ***TRA11 Local Transport Plan: Major Projects***

The Department for Transport (DfT) pays grants under section 31 of the Local Government Act 2003, to local transport authorities in England. The grant supports major projects such as large public transport infrastructure or road construction schemes.

## Audit Commission Definitions for Certification work

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### Abbreviations used in certification work are:-

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**‘appointed auditor’** is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

**‘claims’** includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

**‘assurance engagement’** is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

**‘Commission’** refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

**‘auditor’** is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

**‘grant-paying bodies’** includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

**‘authorities’** means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

**‘returns’** are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

**‘certification instructions’** (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

**‘Statement’** is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk);

**‘certify’** means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

**‘underlying records’** are the accounts, data and other working papers supporting entries on a claim or return.

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