

Stevenage Borough Council

Certification work report 2009/10

February 2011

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1 Introduction and approach

Introduction

- 1.1 Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As Stevenage Borough Council's (the Council) external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.
- 1.2 The Audit Commission makes certification arrangements with grant-paying bodies, this includes confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and they clearly set out the specific procedures to be applied in examining a claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

Certification arrangements

- 1.3 The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2009/10 were:
 - for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions;
 - for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but were not required to undertake any testing of the eligibility of expenditure or data; and
 - for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.
- 1.4 In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work.

Our certificate

1.5 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).

1.6 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.

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2 Results of our certification work

Key messages

- 2.1 For the financial year 2009/10, we have certified seven claims and returns for the Council, which amounted to £60,663,825. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial information.
- 2.2 The Council's performance in preparing claims and returns is summarised in the table below.

Exhibit One: Performance against key certification targets

Performance measure	2009/10	2008/09
Without qualification or amendment	2	2
Amended only	4	3
Qualified only	0	1
Amended and qualified	1	0
Total	7	6

- 2.3 This demonstrates that overall the Council's performance in preparing claims and returns has been maintained during 2009/10. There was an additional claim included in 2009/10, with the Single Programme: Stevenage Business & Technology Centre Extension (RG30) requiring certification for the first time.
- 2.4 Details on the certification of all claims and returns are included at appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.
- 2.5 Where claims and returns have been amended or qualified and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan at appendix B.
- 2.6 The Council submitted all of its claims and returns on time bar two exceptions. The Pooling of Housing Capital Receipts (CFB06) return was signed a day after the submission for audit deadline, although this did not cause any delay to the certification of the claim. The Single Programme: Stevenage Business & Technology Centre Extension (RG30) claim was also not submitted by the deadline. This was notified to the EEDA and the claim was subsequently certified with a minor classification amendment.

- 2.7 The Council should ensure that suitable arrangements are maintained to submit claims and returns to us within the required deadlines. This will enable us to continue to meet certification deadlines going forward.

Certification work fees

- 2.8 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.

Exhibit Three: Hourly rates for certifying claims and returns for 2009-10

Role	2009/10	2008/09
Engagement lead	£345	£330
Manager	£195	£185
Senior auditor	£125	£120
Other staff	£95	£90

- 2.9 Our fee for certification work at the Council in 2009-10 was £55,190, compared to £39,714 for 2008/09. Our fee is higher than our estimate of £40,000 included in our grants plan dated June 2010.
- 2.10 The increase is due to:
- an additional claim being certified in 2009/10, and
 - as a result of the extra time required to certify the Housing and Council Tax Benefit subsidy claim, due to the move to a new benefits system in the year.
- 2.11 Details of our fee by claim and return and how this compares to last year are included at appendix C.

Significant issues

- 2.12 The following significant issues were identified.

National non domestic rates (NNDR) return

- 2.13 The NNDR return was both amended and qualified and a number of recommendations have been made, as detailed in appendix B.
- 2.14 From a sample of 20 cases of deferral scheme reductions, it was found that two cases totalling £7,386.47 did not possess an application form. This issue was reported to the DCLG in our qualification letter.
- 2.15 From a sample of 20 cases of deferral scheme reductions, it was found that one award could not be recalculated by the Council and we were unable to agree the calculation of the award. The case amounted to £2,517.17. This issue was reported to the DCLG in our qualification letter.

- 2.16 An amendment was made to increase the losses in collection from £450,777 to £726,300. The losses on collection is the bad debt provision charge for the year. The original calculation made by the Council was not in line with the guidance on completion of the NNDR return, and was therefore required to be recalculated in line with the national guidance.

Housing and council tax benefit scheme

- 2.17 The housing and council tax benefit claim was amended only. Of a sample of 20 council tax benefit cases, one case was identified where on a claimant death, the whole overpayment was classified as a local authority error. Correct treatment was for the period from the date of death to the point when the Council received notification of the death to be classified as a claimant error and therefore an eligible overpayment. Additional testing was carried out and the error was able to be isolated. An amendment was made to the claim to reduce the Local Authority error by £68 and increase eligible overpayments by £68.

Single Programme: Stevenage Business & Technology Centre Extension

- 2.18 The claim was not submitted in line with the deadline. This was reported to the EEDA, the grant paying body, and the claim was subsequently amended with a minor classification amendment. The Council should ensure that suitable arrangements are in place to ensure submission of future claims within the required deadlines.

Acknowledgements

- 2.19 We would like to take this opportunity to thank the Council's officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

February 2011

A Details of claims and returns certified for 2009/10

Claim or return	Value (£)	Amended?	Qualified?	Summary
Housing and council tax benefit scheme (BEN01)	36,734,571	Yes	No	<p>Amended claim fairly stated and in accordance with terms and conditions.</p> <p>Additional testing was carried out after an overpayment classification error was identified relating to council tax benefit subsidy. The error was able to be isolated and therefore an amendment was made to the claim to reduce the Local Authority error by £68 and increase eligible overpayment by £68. Further detail is provided in section 2 of the main body of this report, under significant issues.</p> <p>Three underpayments were identified as part of the testing. These have been notified to the Revenues and Benefits team for action.</p>
Pooling of housing capital receipts (CFB06)	1,191,040	No	No	Claim was fairly stated in accordance with relevant terms and conditions.
HRA subsidy (HOU01)	11,377,735	Yes	No	<p>Amended claim fairly stated and in accordance with terms and conditions.</p> <p>Two minor amendments were required to correct rounding differences and ensure the claim form agreed to the prior year and current year audited Base Data Returns.</p>

Claim or return	Value (£)	Amended?	Qualified?	Summary
HRA subsidy base data return (HOU02)	n/a	Yes	No	<p>Amended claim fairly stated and in accordance with terms and conditions.</p> <p>Two minor amendments were required to correct rounding differences. No further issues were identified.</p>
Disabled facilities (HOU21)	197,000	No	No	<p>Claim above £125,000 but below £500,000 therefore only limited testing was performed.</p> <p>Claim was fairly stated in accordance with relevant terms and conditions.</p>
National non-domestic rates return (LA01)	44,998,050	Yes	Yes	<p>Return fairly stated and in accordance with terms and conditions, except for qualification in relation to deferral schemes.</p> <p>Application forms could not be obtained on two of the cases sampled and the deferral amount awarded on one case could not be recalculated. Further detail is provided in section 2 of the main body of this report, under significant issues.</p> <p>Amendments have been made to:</p> <ul style="list-style-type: none"> increase the losses in collection from £450,777 to £726,300. Further detail is provided in section 2 of the main body of this report, under significant issues reclassify gross rates payable, from prior year to current year. No impact on the overall total of the claim as reclassification amendment only.

Claim or return	Value (£)	Amended?	Qualified?	Summary
Single Programme: Stevenage Business & Technology Centre Extension (RG30)	2,900,000	Yes	No	Amended claim fairly stated and in accordance with terms and conditions. Amendment made to table 2 of the claim form to increase the amount receivable from £2.61m to £2.9m to include the amount due rather than the amount received.
Total (Gross)	60,663,825			

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B Action plan

Claim or return	Recommendation	Priority	Management response & implementation details
National non-domestic rates return	The Council should ensure that an application form is retained for all deferral scheme reductions.	High	
National non-domestic rates return	The Council should ensure that arrangements are in place to calculate deferral scheme reductions accurately and that the calculation methodology is retained for each case.	High	
National non-domestic rates return	The losses in collection amount should be calculated in accordance with the NNDR guidance and should be subject to a review process.	High	
Single Programme: Stevenage Business & Technology Centre Extension	The Council should ensure that suitable arrangements are in place to enable submission of future claims by the required deadlines.	High	

C Certification work fees

Claim or return	Fee 2009/10 (£)	Fee 2008/09 (£)	Explanation for significant variances
Housing and council tax benefit scheme	34,009	25,410	There has been an increase in the fee in 2009/10 as during 09/10 the Council introduced a new revenues and benefits system which resulted in additional time to test each individual case.
Pooling of housing capital receipts	2,250	1,883	Variance not significant.
HRA subsidy	1,291	1,703	Variance not significant.
HRA subsidy base data return	8,300	6,063	Certification completed by more senior member of staff than in 2008/09.
Disabled facilities	791	620	Variance not significant.
National non-domestic rates return	6,039	4,035	There has been an increase in the fee in 2009/10 as during 09/10 the Council introduced a new revenues and benefits system which resulted in additional time to test each individual case. There were no issues identified in 2008/09. The claim was amended and qualified in 2009/10 which required additional time to resolve.
Single Programme	2,510	n/a	Claim not required to be certified in 2008/09.

Claim or return	Fee 2009/10 (£)	Fee 2008/09 (£)	Explanation for significant variances
Total	55,190	39,714	

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