

Stevenage Borough Council

Certification work report 2010/11

December 2011



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1 Introduction and approach

Introduction

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.

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

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2010/11 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 are 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.

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 where possible.

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 Council;
or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council 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 Council 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.

2 Results of our certification work

Key messages

For the financial year 2010/11, we have certified six claims and returns for the Council, which amounted to £92,170,846. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial information.

The Council's performance in preparing claims and returns is summarised in the table below.

Table One: Performance against key certification targets

Performance measure	2010/11	2009/10
Without amendment / Without qualification	3	2
Amended	2	4
Qualified	1	1
Total	6	7

Two claims had minor amendments made, with an overall impact of just £77 across both of the claims.

Testing on the benefits claim identified two cases of (total value £1,477), where the tenancy type had been misclassified. The effect of this error is to overstate one cell within the claim, with a corresponding understatement elsewhere. Testing of an

additional sample of 40 cases identified a further seven cases (total value £12,068), where the tenancy type had been misclassified. Again, this results in corresponding over and understatements.

The identified error is classification within the form only, there is no impact on the overall amount claimed. As the total impact of the error cannot be identified, no amendment has been made, but a qualification has been issued to reflect this. It is recognised that this is a legacy of the system change undertaken during 2009/10, and the Benefits Team are currently investigating this.

Details on the certification of all claims and returns are included at Appendix A.

The Council submitted all of its claims and returns on time and we certified all of the claims and returns within the relevant deadlines set by the Audit Commission. This is the same as last year's performance of meeting deadlines.

Certification work 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.

Table Three: Hourly rates for certifying claims and returns for 2010/11

Role	2010/11	2009/10
Engagement lead	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

Our fee for certification work at the Council in 2010/11 was £41,116, compared to £55,190 for 2009/10. Our fee is in line with our estimate of £40,000 included in our audit plan presented to, and approved by, the Audit Committee in December 2010. Details of our fee by claim and return and how this compares to last year are included at appendix A.

Significant issues

Our work highlighted no significant issues relating to the systems and controls in place to administer and record grants receipts and payments at the Council.

Acknowledgements

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
December 2011**

A Details of claims and returns certified for 2010/11

Claim or return	Value (£)	Certificate	Summary	Fee 2010/11 (£)	Fee 2009/10 (£)
Housing and council tax benefit scheme (BEN01)	38,420,899	Qualified	<p>Testing on the benefits claim identified two cases of (total value £1,477), where the tenancy type had been misclassified. The effect of this error is to overstate one cell within the claim, with a corresponding understatement elsewhere. Testing of an additional sample of 40 cases identified a further seven cases (total value £12,068), where the tenancy type had been misclassified. Again, this results in corresponding over and understatements.</p> <p>The identified error is classification within the form only, there is no impact on the overall amount claimed. As the total impact of the error cannot be identified, no amendment has been made, but a qualification has been issued to reflect this. It is recognised that this is a legacy of the system change undertaken during 2009/10, and the Benefits Team are currently investigating this.</p>	23,023	34,009
Pooling of housing capital receipts (CFB06)	1,374,519	Amended / Without qualification	A minor amendment was made to the claim, with a £77 impact on the overall value. No other issues were identified.	3,413	2,250
Disabled facilities (HOU21)	261,000	Without amendment / Without qualification	No issues were identified in the certification of this claim	940	791
National non-domestic rates return (LA01)	40,198,936	Without amendment / Without qualification	No issues were identified in the certification of this claim.	5,680	6,039
HRA Subsidy (HOU01)	11,915,492	Amended / Without qualification	A minor amendment was made to the claim, which had no impact on the overall value. No other issues were identified.	1,655	1,291

Claim or return	Value (£)	Certificate	Summary	Fee 2010/11 (£)	Fee 2009/10 (£)
HRA Subsidy Base Data Return (HOU02)	n/a	Without amendment / Without qualification	No issues were identified in the certification of this claim.	6,405	8,300
Total	92,170,846			41,116	52,680

The fees above include our costs in regards to planning and reporting of claims and returns to those charge with governance.



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