



Stevenage Borough Council

Certification work report 2011/12

January 2013

Contents

1	Executive Summary	1
2	Results of our certification work	3

Appendices

A	Approach and context to certification	5
B	Details of claims and returns certified for 2011-12	7
C	Action plan	9

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 4 claims and returns for the financial year 2011/12 relating to expenditure of £103,313,504.
- 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 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 Council submitted two of their claims after the deadline for audit, but all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns. Out of 4 claims there were two minor amendments and one qualification.
Supporting working papers	Supporting working papers for all claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.7 We have made recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.8 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

- 1.9 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

December 2012

2 Results of our certification work

Key messages

- 2.1 We have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £103,313,504.
- 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	50	6	100	↓
Number of claims certified on time	100%	4	100	6	100	→
Number of claims certified with amendment	0%	2	50	2	33	↓
Number of claims certified with qualification	0%	1	25	1	17	→

- 2.3 This analysis of performance shows that:
- The number of claims has been reduced by 33% compared to prior year.
 - One claim was submitted late, compared to none in the previous year. All claims were certified on time which is consistent with prior year.
 - In 2011/12 errors were identified which led to one claim being amended and one claim being amended and qualified.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 We charged a total fee of £33,479 against an indicative budget of £40,000 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

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

Grants co-ordination and compilation

Our work highlighted no significant issues relating to the systems and controls in place to administer and record grant receipts and payments at the Council. Supporting working papers provided by the Council were of a good standard.

Certification of the Housing and Council Tax Benefit scheme

- 2.7 Testing performed on rent allowance identified one case where the Authority had under claimed subsidy due to not recording the correct 'Local Housing Allowance' code on some Housing Association cases. This resulted in an underpayment of benefit to the claimant. The Authority performed a 100% check of all cases that are subject to the local housing allowance and found no further instances of underpayments.

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	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

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 (BEN01)	41,142,826	Yes	£nil	Yes	23,023	20,030	A Type 1 error relating to underpaid benefit was identified .The Authority performed a 100% check of all cases that are subject to Local Housing Allowance and found no further instances of underpayment.
National non-domestic rates return (LA01)	44,526,836	Yes	£nil	N/A	5,680	7,223	A minor amendment was required and processed by the Council.
Pooling of housing capital receipts (CFB06)	606,380	N/A	N/A	N/A	3,413	3,893	No amendment/qualification
HRA Subsidy (HOU01)	17,037,462	N/A	N/A	N/A	1,655	2,333	No amendment/qualification.
Disabled facilities (HOU21)	-	-	-	-	940	-	No requirement for certification of the Disabled Facilities claim in 2011/12.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
HRA Subsidy Base Data Return (HOU02)	-	-	-	-	6,405	-	No requirement for certification of the HRA Subsidy Base Data claim in 2011/12.
Total	103,313,504	-	Nil	-	41,116	33,479	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
HRA Subsidy	The Council should make sure that systems are put in place to ensure that claims are submitted to the auditor in advance of the audit deadline.	M	Officers queried the calculation of interest in the HRA subsidy form with the CLG which delayed the submission of the form. This return is no longer required with the introduction of self financing for the HRA.
Housing and Council Tax Benefit Scheme	The Council should ensure that all cases subject to the local housing allowance are reviewed to prevent future underpayments.	H	Agreed.

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