



## **Ashford Borough 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 have certified four claims and returns for the financial year 2011/12 relating to expenditure of £89 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 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 It should be noted that all work 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 auditors work.
- 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 claims were submitted on time to audit and 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. A qualification letter was issued in relation to the Housing and Council Tax Benefit Scheme and the return amended by £28.
Supporting working papers	Supporting working papers for all claims and returns were good, which enabled certification within the deadlines.

### The way forward

- 1.8 We have made two recommendations to address the 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 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 four claims and returns for the financial year 2011/12 relating to expenditure of £89 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>		4		6		
Number of claims submitted on time	100%	4	100	6	100	→
Number of claims certified on time	100%	4	100	6	100	→
Number of claims certified with amendment	0%	1	25	4	67	↑
Number of claims certified with qualification	0%	1	25	1	17	→

- 2.3 This analysis of performance shows that:
- all claims continue to be submitted to audit on time and were certified within the required deadline.
  - The number of claims certified with amendment has been reduced as both the Housing Finance Base Data Return and Pooling of Housing Capital Receipts did not require amendment in 2011/12.
  - The Housing and Council Tax Benefit Scheme was qualified in both years, this is consistent with a number of Councils and the nature of errors arising did not lead to a significant amendment to the claim.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.

- 2.5 Where we have identified significant 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 Your previous auditors, the Audit Commission, charged a total fee of £23,405 against an indicative budget of £37,000 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**

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

- 2.7 A qualification letter was submitted and the claim amended by £28. The following issues are areas for improvement in 2012/13:

##### **Reconciliation of benefit granted to paid**

- 2.8 The Authority uses the Northgate Benefit software. The software supplier provides a method for the Authority to reconcile benefit granted to benefit paid per the benefit software. The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differed by £451 resulting in the claim form being understated.

##### **Calculation of earned income**

- 2.9 Testing of the initial sample of 40 cases identified one case where the gross income was incorrectly input for the calculation of earned income. Errors calculating earned income can result in under/overpayments being made and therefore an additional sample of 40 cases were tested and a further two errors identified.

## 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	£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	41,680,647	Yes	28	Yes	17,709	20,557	Although fewer errors were identified, a higher skill mix resulted in a higher fee for the certification of this return.
National non-domestic rates return	41,847,197	No	0	No	1,869	1,021	
HRA Subsidy	4,603,600	No	0	No	2,858	863	Fewer errors identified in 2011/12
Pooling of Housing Capital Receipts	1,143,088	No	0	No	624	517	
Planning and reporting to those charged with Governance					1,240	447	Fewer claims certified and fewer issues identified in 2011/12.
<b>Total</b>	<b>89,274,532</b>		<b>28</b>		<b>27,617</b>	<b>23,405</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefit and Council Tax Benefit Claim	Follow up reconciliation differences with Northgate on a timely basis to avoid the claim being under/overstated.	M	The reconciliation discrepancy in 2011/12 was investigated by Northgate but not resolved - they considered it to be an isolated issue. We have been running reconciliations throughout 2012/13 and the spreadsheet is reconciling as normal, so we do not anticipate any issues in 2012/13.
Housing Benefit and Council Tax Benefit Claim	Remind staff of the need to correctly input income figures in the calculation of earned income to avoid under/overpayments being made.	M	Inputting correct income figures is standard practice, and staff are reminded of the need to correctly input income figures. Due to the sheer volume of transactions the occasional error may happen, however staff are trained and experienced and such errors will be rare.

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