



Grant Thornton

Watford Borough Council

Grants Report 2008-09

February 2010

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1 Executive summary

Introduction

- 1.1 The Council received 3 grant claims and returns from government departments and other bodies requiring external audit certification in 2008-09, representing income in excess of £90 million.
- 1.2 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.
- 1.3 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.

Arrangements for certification:

- amounts claimed below £100,000 - no certification
- amounts claimed between £100,000 - £500,000 - agreement to underlying records
- amounts claimed over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Key messages

- 1.6 A summary of all claims and returns subject to certification is provided at Appendix B, together with the certification fee and outcome of our review.
- 1.7 The key messages from our review are summarised in Table One below, and set out in detail in the next section of the report.

Table One: Key Messages

Aspect of certification arrangements	Action
Incorrect income details were used to assess council tax benefits and rent allowance benefits.	Benefits assessments should be independently checked on a regularly basis to minimise human errors.
There were unreconciled differences between benefits granted and benefits paid for both council tax benefit and rent allowance benefit.	Reconciliations should be carried out on a monthly basis and differences investigated as and when they arise.
We have not audited the housing subsidy claims for 2007-08 and 2008-09 because the Audit Commission is yet to sign off the 2006-07 claims.	The Council should ensure that the Audit Commission signs off the 2006-07 claims.

The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other 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 audit. This will reduce the risk of penalties for late submission, potential repayment of grant and additional audit fees. In particular, it will improve the certification process and reduce the amount of work required in the housing and council tax benefit claim in which errors were identified in the initial sample. When initial errors have been detected we perform 40 plus case testing and concentrate on testing the element of the case that failed from the initial sample. Forty plus testing confirmed that no further errors were found in the additional sample.
- 1.10 The new use of resources assessment in 2009 required auditors to consider the results of certification work when undertaking the Use of Resources assessment, including, in particular, the impact of housing benefit and council tax testing on data quality. The 2010 assessment will be further integrated with grant certification work, including consideration of the outcome of a wider range of grant claims.

Acknowledgements

- 1.11 We would like to take this opportunity to thank the grant claim co-ordinator Nigel Kennedy and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

January 2011

2 Detailed findings

Introduction

- 2.1 This section of the report summarises the main issues arising from the certification of grants and returns in 2008-09. Further details of the individual grants that have been certified are provided at Appendix B and the Action Plan at Appendix C sets out our recommendations and improvement opportunities arising from the audit of individual grants.

Performance against targets

- 2.2 Table Two summarises the Council's performance against key certification performance targets for the 3 claims and returns submitted for audit in 2008-09 compared to 7 claims and returns in 2007-08:

Table Two: Performance against key certification targets

Performance measure	Target	Achievement in 2008-09		Achievement in 2007-08	
		No.	%	No.	%
Number of claims submitted on time	100%	3	100	5	71
Number of claims certified on time *	100%	3	100	5	71
Number of claims amended by the auditor	0%	0	0	2	29
Number of claims qualified by the auditor	0%	1	33	1	14
Number of claims for which certification fee exceeded budget	0%	1	0	1	14

* the certification deadline is that prescribed by the grant paying body as advised by the Audit Commission, or if a claim is received after the submission deadline, within three months of receipt.

- 2.3 This analysis of performance against targets shows that:
- As the Council's auditors, we are required to certify all claims and returns within 12 weeks of receipt of both the claim and a full set of working papers. It should be noted that it is the Council's responsibility to ensure that all statutory deadlines are met. This year, we certified all claims and returns within the certification deadline.
 - No claims were amended this year.
 - One claim was qualified this year, the Housing and Council Tax Benefit claim. We are required to qualify whenever we feel that, based on the certification work which we

have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that we are not satisfied that the claim or return is actually correct. Government departments are entitled to withhold or withdraw payment to the Council of any monies that they feel, based on our qualification letters, are not adequately supported. The claim qualified was the Housing & Council Tax Benefits claim. The qualification was due to inconsistent evidence to support assessments and use of incorrect figures to calculate the assessments in council tax and rent allowance and errors in reconciling benefits granted to benefits paid.

- 2.4 We charged a total fee of £17,420 against a budget of £15,000 for the certification of claims and returns in 2008-09. The certification of the housing and council tax benefits claim exceeded budget, whereas the other claims certified in 2008-09 fees were less than budget. The impact of the implementation of the shared service Benefits arrangement with Three Rivers DC resulted in more time being spent upon the Housing Benefit claim. Details of fees charged for specific claims are included within Appendix B.

Management arrangements

- 2.5 Good arrangements are required for successful management of the certification of grant claims and returns. The results of our review of aspects of the management arrangements in place are set out below. Associated recommendations for improvement are included at Appendix C.

Grants co-ordination

- 2.6 The Head of Finance acts as the co-ordinator and liaised with the rest of the team to ensure that work on the claims and returns was completed by the certification date.

Compilation procedures and Submission procedures

- 2.7 The arrangements for the compilation of claims appear adequate. Reports extracted from the system are checked by two officers. Key officers have been provided with training in preparation of claims and the certification process. All grants claims that required certification for 2008-09 were submitted on time.

Quality of working papers

- 2.8 The quality of working papers provided to auditors has improved, with most claims and returns reconciling back to the general ledger. However, a number of anomalies were identified in reconciling benefits paid to benefits granted.

Significant findings in relation to individual claims and returns

- 2.9 A summary of all claims and returns we have certified is attached at Appendix B, together with the certification fee and outcome of our review.
- 2.10 Of the claims and returns submitted for audit the most significant findings were in relation to the housing benefits and council tax claim. These are noted in the key messages section of this report and details of qualification points and recommendations for improvement relating to them are included at Appendix C.

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 £100,000 - no certification required;
- for amounts claimed above £100,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council; and
- for amounts claimed over £500,000 - certifying that the claim agrees to underlying records of the Council and an assessment of the control environment. Where reliance is not placed on the control environment, detailed testing is performed.

Roles and responsibilities

The following table sets out the roles and responsibilities of the parties involved in the certification of claims and returns.

Party	Role and responsibility
Grant paying body	Sets grant conditions and the deadlines for submission of the pre-certificated and certified claim
Audit Commission	Issues certification instructions
Council	Submits claims and returns to the Appointed Auditor within grant paying body submission deadlines. Ensures adequate documentation is maintained to support compilation of claims and returns.
Appointed Auditor	Certifies claims in accordance with Audit Commission instructions and within certification deadlines.

Scope

We assess the Council's arrangements for submission of grant claims for certification. We do not review the Council's wider arrangements for managing external funding or maximising its entitlement to external funding.

B Details of claims and returns certified in 2008-09

Ref	Claim	Claim value (£)	Amended? Y/N	Amendment value (£)	Qualified?	Actual fee (£)	Claim submitted on time
BEN01	Housing & Council Tax Benefit	£28,471,037	N	N/A	Y	£13,485	Y
LA01	National Non-Domestic Rates Return	£62,123,095	N	N/A	N	£3,315	Y
HOU21	Disabled Facilities Grant	£166,000	N	N/A	N	£620	Y
TOTAL		£90,760,132				£17,420	

C Action plan

Ref	Claim	Recommendation	Priority	Management response and implementation details
1	Housing Revenue Account Subsidy Claims	The 2006/07 housing subsidy claims are to be certified by the previous auditors, in order that the 2007/08 claims can be submitted to Grant Thornton for certification.	1	The Council has attempted to contact the District Auditor on numerous occasions to settle the claim but to no avail. The claim is processed electronically through the Government Grant Gateway but access through this system is governed by the DA.. The Council has once again written to the DA Senior Manager to seek further assistance Bernard Clarke By 31/03/2010
2	Housing & Council Tax Benefit Claim	Spot checks undertaken by independent officers to ensure correct information is used for the assessment of council and housing benefits awards.	2	This will be implemented as part of the ongoing development and improvement of services following the formation of Shared Services Sue Townsend Immediate

Ref	Claim	Recommendation	Priority	Management response and implementation details
3	Housing & Council Tax Benefit Claim	Systems software provider should be consulted as to why overpayments are incorrectly calculated by the system.	2	<p>With the recent formation of the Shared Services the authority has changed its Council tax and NNDR computer system which has now gone live. Whilst the authority will attempt to discuss the issue raised by the auditor, given the recent changes a response may prove difficult. In future, officers will undertake spot checks on these calculations on the new system which should ensure accuracy of future claims.</p> <p>Sue Townsend Immediate</p>
4	Housing & Council Tax Benefit Claim	Reconciliations between benefits paid and benefits granted should be undertaken on a monthly basis and differences investigated as and when they arise.	1	<p>This will be implemented as part of the ongoing development and improvement of services following the formation of Shared Services</p> <p>Sue Townsend Immediate</p>



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