

Watford Borough Council

Certification work report 2009/10

January 2011

Draft for Discussion

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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 Watford 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 form entries 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 form entries 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.

Our certificate

- 1.4 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).

- 1.5 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.

2 Results of our certification work

Key messages

- 2.1 For the financial year 2009/10, we have certified 3 claims and returns for the Council, which amounted to £94,547,125. 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	Direction of travel
Without qualification	2	2	→
Amended	1	0	↓
Qualified	0	1	↑
Total	3	3	

- 2.3 This demonstrates that overall the Council's performance in preparing claims and returns has slightly improved since 2008/09 with the removal of submitting a claim with a qualification letter, however we did have to amend a claim this year. This provides further evidence that the shared service arrangement with Three Rivers DC appear to be gradually embedding.
- 2.4 Details on the certification of all claims and returns are included at appendix A. See further guidance on significant issues below.
- 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's and our performance in meeting deadlines related to the certification of claims and returns is summarised below.

Exhibit Two: Performance against deadlines

Deadline	2009/10	2008-09	Direction of travel
Submission	3	3	→

Deadline	2009/10	2008-09	Direction of travel
Certification	3	3	→

- 2.7 The Council has maintained its arrangements to submit claims and returns to us within the required deadlines. This has enabled us to meet all the certification deadlines in 2009/10.
- 2.8 Our fee for certification work in 2009 -10 was £24,243, compared to £17,420 for 2008/09. Our fee was slightly above the fee estimate of £20,000 included in our audit fee letter presented to, and approved by, the Audit Committee in March 2009. Details of our fee by claim and return and how this compares to last year are included at appendix C. The factors for the increase of audit fee between years is disclosed in the significant issues section.

Significant issues

- 2.9 The following issues were identified:

Housing and council tax benefit scheme

- 2.10 Our review of a sample of cases against the requirements of the regulations show that there were instances where the information used to assess rent allowance benefits was incomplete and this resulted in cases been classified in the wrong cells. This could potentially lead to the awarding of incorrect benefits to claimants and ultimately clawback of Housing Benefit grant from the Department for Work and Pensions ['DWP'].
- 2.11 The Council went live on a new Revenues and Benefits system (ACADEMY) in February 2010, as a result the claim was spread over 2 separate systems and audit processes and testing had to be duplicated across both systems, which increased the time taken to audit the claim.
- 2.12 In all cases we resolved all issues with the housing benefit caseload to avoid the claim being subject to qualification letter and potential clawback from the Department for Work and Pensions.
- 2.13 The reconfiguration of the Watford BC and Three Rivers DC revenues and benefits functions resulted in staff leaving the Council and led to the subsequent employment of agency staff to alleviate the backlog that had developed.
- 2.14 For the majority of November 2010 the housing benefit manager was absent on sickness leave and there was a lack of formal back up arrangements in place, especially surrounding the finer points of the subsidy rules. This resulted in the issues being raised and dealt with by the new Head of Revenues and Benefits, whose availability was limited, and the Senior Performance and Training officer, the time taken to respond to queries increased as a result.
- 2.15 Due to an administrative error, un-cashed cheques were omitted from the final claim form, which led to a reduction in the amount of subsidy due to the Council. Whilst this was a relatively small amount (£1,300) it does however indicate a weakness within the process for preparing the subsidy claim.

National Non Domestic Rates

- 2.16 The time taken to audit the national non domestic rates return did take longer than budgeted due to the claim preparer leaving the employment of Watford BC before the claim

had been audited and the claim, along with associated audit queries had to be picked up by another officer.

Acknowledgements

- 2.17 We would like to take this opportunity to thank the Council's Head of Revenues and Benefits and 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	34,901,961	Yes	No	Notwithstanding the new management arrangements and change in benefits software, the Claim was fairly stated and in accordance with the regulations except for amendments due to misclassification of certain rent allowance cases and the omission of un-cashed cheques. Accordingly we have made appropriate recommendations at Appendix B.
National non-domestic rates return	59,435,164	No	No	The Return was fairly stated and in accordance with the terms and conditions. There were no amendments or qualification issues.
Disabled facilities	210,000	No	No	The Return was fairly stated and in accordance with the terms and conditions. Form entries were agreed to underlying records but no detailed testing was undertaken. There were no amendments or qualification issues.
Total	94,547,125			

B Action plan

Claim or return	Recommendation	Priority	Management response & implementation details
Housing & Council Tax Benefit Claim	Spot checks undertaken by independent officers to ensure correct information is used for the assessment of rent allowance benefits awards.	High	<This is accepted. To meet this we are appointing to a new post with specific responsibility for regular monitoring of subsidy.> <Benefit Manager> <April 2011>
Housing & Council Tax Benefit Claim	The administration and controls around un-cashed cheques should be formally documented, implemented and regularly monitored.	Medium	<This is accepted and will be met as above> <Benefit Manager> <April 2011>
Housing & Council Tax Benefit Claim	Subsidy training should be provided to designated staff to ensure that sufficient back-up arrangements are in place in the absence of the housing Benefit manager..	High	<Subsidy training was delivered to all staff in August 2010. The above post will offer added resilience> <Benefit Manager> <April 2011>

C Certification work fees

Claim or return	Fee 2009/10 (£)	Fee 2008/09 (£)	Explanation for significant variances
. Housing & Council Tax Benefit	18,001	13,485	Watford BC combined with Three Rivers DC revenues and benefits functions, implemented a new benefits system in February 2010 and the absence of the Housing Benefit manager for the majority of November 2010 impacted upon the fee. Further explanation is provided at 2.9 in the main body of the report.
National Non-Domestic Rates Return	5,562	3,315	The claim preparer had left the Council at the time of audit and a secondary contact had to pick up the audit, which increased the amount of time spent on the claim.
Disabled Facilities Grant	680	620	
Total	24,243	17,420	

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