

Watford 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 Watford 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 3 claims and returns for the Council, which amounted to £99,450,000. 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	Direction of travel
Without qualification	2	2	→
Amended	3	1	↓
Qualified	1	0	↓
Total	3	3	

This demonstrates that overall the Council's performance in preparing claims and returns has deteriorated since 2009/10. The number of returns/claims amended and qualified has increased in 2010/11.

Details on the certification of all claims and returns are included at appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.

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.

The Council's and our performance in meeting deadlines related to the certification of claims and returns is summarised in Table two.

Table Two: Performance against deadlines

Deadline	2010/11	2009/10	Direction of travel
Submitted by deadline	1	3	↓
Certified by deadline	1	3	↓

The Council submitted two of their returns, NNDR return and housing and council tax benefit claim, after the national authority submission deadline. The Council wanted to ensure all claims submitted for certification were accurate.

We certified one claim within the relevant deadlines set by the Audit Commission and the two remaining claims, NNDR and housing and council tax benefit claim, were certified after the audit deadline date.

Both claims were impacted by the backlog of case work, due to the merger of the revenues and benefits departments of Watford BC and Three Rivers DC to one shared service centre, and the capacity of the staff in resolving our queries.

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 £27,280, compared to £24,243 for 2009/10. Our fee is in line with our estimate of £20,000 included in our audit fee letter presented to, and approved by, the Audit Committee in March 2010. Details of our fee by claim and return and how this compares to last year are included at appendix A.

Significant issues

Submission procedures

The Council submitted the NDDR return and housing and council tax benefit claims to the CLG ['Communities and Local Government'] and DWP [Department for Work and Pensions'] respectively after the Authority submission deadline, to ensure the numeric accuracy of claim. Both claims were subsequently amended.

NNDR

The return was qualified in 2010/11 by virtue of the fact that the Council were unable to provide the authorisation to support the NNDR bad debt write offs that had been included within the claim.

Acknowledgements

We would like to take this opportunity to thank the officers for their assistance and co-operation during the course of the certification process. We would like to recognise that delays experienced from Grant Thornton UK LLP contributed to the late submission of the certified housing and council tax benefit claim.

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	38,281,546	Amended	<p>Set out whether we certified the claim was fairly stated in accordance with relevant terms and conditions of the scheme.</p> <p>The claim was amended by £99 to reflect the correct amount of prior year uncashed cheques to be deducted in 2010/11.</p>	£19,022	£18,001
Disabled facilities	234,000	Without qualification	We certified the return was in accordance with underlying records with no issues.	£1,875	£680
National non-domestic rates return	60,930,512	Amended and qualified	<p>Return fairly stated and in accordance with terms and conditions, except for qualification in relation to the authorisation of NNDR bad debts not being performed within the financial year.</p> <p>The return was submitted to the CLG after the Council submission deadline, recommendation made in appendix B.</p>	£5,708	£5,562
Cost of reporting to those charged with governance			The cost of reporting to those charged with governance on the results of certification work is charged as certification work under section 28 of the Audit Commission Act 1998.	£675	£0
Total	99,446,058			£27,280	£24,243

B Action Plan

Claim or return	Recommendation	Priority	Management response & implementation details
NNDR return Housing and council tax benefit claim	All claims/returns should be submitted to the relevant government department by the Council submission deadline.	Low	
NNDR return	NNDR bad debt write offs should be authorised within the financial year.	Low	



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