



## **Watford Borough Council**

Certification work report 2011/12

December 2012

# Contents

<b>1</b>	<b>Executive Summary</b>	<b>2</b>
<b>2</b>	<b>Results of our certification work</b>	<b>4</b>

## **Appendices**

<b>A</b>	<b>Approach and context to certification</b>	<b>7</b>
<b>B</b>	<b>Details of claims and returns certified for 2010/11</b>	<b>9</b>
<b>C</b>	<b>Action plan</b>	<b>10</b>

# 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 2 claims and returns for the financial year 2011/12 relating to expenditure of £105 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 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 claims for audit, the Non National Domestic Rates ['NNDR'] claim was submitted on time but the Housing and Council tax benefit claim was submitted to the DWP after their deadline. Both claims were certified within the required audit deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council has improved its performance of submitting accurate claims, the NNDR claim was not subject to amendment or qualification, as it had been in the prior year. The certified housing and council tax benefit claim was submitted by deadline, an improvement upon the prior year. However, the claim was subject to a qualification letter regarding the incorrect assessment of a claimants income but there was no financial impact to the Council.
Supporting working papers	Supporting working papers for the claims and returns were of a good standard, which aided certification within the deadlines.  Analytical review could be improved to be provided on a more timely basis for large recurring claims and returns of Housing and Council Tax Benefit and Non National Domestic Rates.

### The way forward

- 1.7 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.8 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 2 claims and returns for the financial year 2011/12 relating to expenditure of £105 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>		2		3		
Number of claims submitted on time	100%	1	50	1	33	↓
Number of claims certified on time	100%	2	100	1	33	↑
Number of claims certified with amendment	0%	1	50	2	66	↑
Number of claims certified with qualification	0%	1	50	1	33	↓

- 2.3 This analysis of performance shows that:
- There has been an improvement in the number of claims that have been certified on time and the number of claims certified without amendment.
  - There has been a decrease in the performance of the number of claims submitted on time and the number of claims certified with qualification. Although the percentage performance has declined, as a result of the population of claims submitted for audit decreasing from 3 to 2 in total, the actual quantum of claims submitted on time remains constant.
- 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 We charged a total fee of £25,534 against an indicative budget of £20,000 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**

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

#### **Grants co-ordination**

- 2.8 This is the third year of the claims being produced by the shared service revenues and benefits service and, although both claims have been certified by deadline, the Council could improve upon the submission of claims to the DWP and aim to submit the claim by national deadline.

#### **Compilation procedures**

- 2.9 The claims were compiled more accurately in 2011/12, which was reflected in the improvement in the decrease of claims certified subject to amendment. The number of claims submitted on time to the DWP/CLG has remained constant and the Council should endeavour to submit the housing and council tax benefit claim to the DWP by national deadline.

#### **Supporting working papers**

- 2.10 The quality of the supporting working papers has improved from the prior year, which is supported by the number of claims subject to amendment decreasing from 2 to 1 claim and the quality of the supporting working papers has ensured that all claims certified in 2011/12 were certified and submitted on time.

### **2012/13 Fee**

- 2.11 The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £16,369.
- 2.12 The fee assumes that there will be no qualification letters issued and there will be no instances of 40 plus testing on the housing and council tax benefits claim.



## 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	40,667,517	Y	-	Y	18,000	21,000	
National non-domestic rates return	64,359,586	N	-	N	4,660	4,534	
<b>Total</b>	<b>105,027,103</b>		-		<b>22,460</b>	<b>25,534</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and council tax benefit	Analytical review could be improved to be provided on a more timely basis.	L	
NNDR	Analytical review could be improved to be provided on a more timely basis.	L	

**[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)**

© 2013 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication