



Watford Borough Council

Certification Work - Planning Memorandum 2010-11

June 2011

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Appendices

- A Summary of all claims and returns for the year ended 31 March 2011**

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 are:

- 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 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 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.

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 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.

Hourly rates for certifying claims and returns for 2010-11

Role	2010/11
Engagement lead	£345
Manager	£195
Senior auditor	£125
Other staff	£95

2 Claims history

The most significant claims in 2009-10 were:

- housing and council tax benefit; and
- national non-domestic rates.

There are an estimated 3 claims and returns to be submitted for 2010-11.

In our 2009-10 grants report, the key points we reported to the Audit Committee were:

- 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 award of over or under entitlement of benefits.
- The Council went live on a new Revenues and Benefits software (ACADEMY) in February 2010. Due to an administrative error, un-cashed cheques were omitted from the final claim form. This led to a reduction in the amount of subsidy due to the Council.

The table below summarises performance against best practice targets.

Performance Target	Best Practice Target	Performance in 2009-10
Claims submitted on time	100%	100%
Claims amended	0%	33%
Claims qualified	0%	0%
Certified within Audit Commission deadline or 3 months from receipt	100%	100%

3 Relationship between certification work and other work

The 2010-11 accounts audit is due to be completed and the audit opinion signed by 30 September 2011. This is before the certification deadline for some of the major claims and returns.

In order to gain assurance that the accounts are not materially misstated with respect to grant income and related expenditure, we perform analytical procedures and key tests from the certification instructions which are material to the Council's accounts as a part of our accounts audit work.

By the earlier of 30 September and the date on which the accounts are signed, we will complete sufficient work on the certification of these material claims and returns to conclude that there were no material misstatements to the accounts due to expenditure incurred or income received. We will complete the remaining tests, to cover the requirements of the certification instructions, prior to the certification deadlines.

As in 2009-10, one integrated piece of work on benefits will be undertaken, covering claim certification, data quality and some elements relevant to the accounts opinion. The scope of this work is set out by the Audit Commission in the housing and council tax benefits certification instruction and HB COUNT workbooks.

We are required to complete enough work to inform our Value For Money conclusion and accounts opinion by 30 September 2011. All work on this claim, including any additional testing as a result of identifying errors in the initial sample, is required to be completed by the certification deadline of 30 November 2011.

4 Roles and responsibilities

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role and responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims.
Audit Commission	Issues certification instructions for auditor work.
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines.
Appointed Auditor	Certifies claims submitted in accordance with Audit Commission Instructions and within certification deadlines.

The Council's role can be further analysed areas as follows:

- the Head of Strategic Finance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns;
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement;
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from the grant paying bodies;
- to comply with Audit Commission Certification Instructions, claims and returns should be supported by adequate working papers. The Council should have procedures in place to ensure that not only are the claims and returns prepared for external auditor certification but also that the documentation is in place to support the information declared;
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Head of Strategic Finance or an officer authorised by written delegated powers; and
- the Council should monitor arrangements with any third parties involved in the certification process.

5 Protocol for 2010-11 claims & returns

The following summarises the proposed protocol for the certification process during 2010-11.

- The Council has identified all claims and returns and this information is incorporated into Appendix A to this grants plan.
- When each expected claim or return is completed, a copy of the signed original version should be sent to Nick Taylor at the following address:

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

- The original claims and returns should be retained by the Council with one central named co-ordinator.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan.
- All claims and returns should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required where necessary. We are required to report the value for these claims to the Audit Commission in our annual certification work report.
- We will inform the Council's claim co-ordinator as to which claims and returns have been received, and also to highlight any which have not been received after a submission deadline. We can also provide an update as to which certifications have been completed and which are ongoing on a monthly basis if requested.
- Copies of the certification instructions can be provided on request for any new claims and returns received.
- Once claims and returns are received we will arrange staffing for the certification with the named contact for the particular claim or return.
- We intend to certify all claims and returns in accordance within the deadlines set out by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within the permitted three months from receipt.
- Once we have completed our on-site certification processes we will collect the original claim or return from the named co-ordinator.
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of a qualification letter if applicable.
- We will issue a bill at the end of each month (with the first bill being issued in July 2011), which will break down the overall fee on a claim by claim basis.

- We expect to complete the certification all of claims by late 2011. After this point we will issue a certification work report highlighting any issues we feel should be brought to the Council's and Audit Committee's attention.

6 Team and timing of work

The team will be led by Kate Wheeler (Senior Auditor) and managed by Richard Lawson (Audit Manager). Nick Taylor (Audit Manager) will review the certification work performed, except for the National Non-Domestic Rates return and the Housing and Council Tax benefits scheme, which will be reviewed by Richard Lawson (Audit Manager). Nick and Richard are responsible for the review of these claims and returns across local authorities audited by Grant Thornton in London and the South East. Paul Dossett and Paul Hughes (Engagement Leads) will be responsible for final review and certification of the claims and returns.

Our work will be undertaken between June and December 2011 to ensure completion of certification work in accordance with individual statutory deadlines.

Appendix A sets out details of the deadlines for submission of the claims to us, certification deadlines and an estimate of the input required.

The estimated time for each certification is set out in the appendix to the plan and makes the following assumptions:

- the certification instructions for 2010-11 do not vary from 2009-10 to any significant degree, except where there are known adjustments;
- the Council provides adequate working papers to support each entry in the claim/return;
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries; and
- we have assumed that there will be no change in the scope of our work due to the control environments in place during the year.

Should these assumptions not prove to be correct once we commence our work then the budgeted number of days will be increased or decreased accordingly.

A Summary of all claims and returns for the year ended 31 March 2011

Claim	Authority Deadline	Certification Deadline	Claim certified in prior year	Prior year outcome	Estimated number of days on site
Housing and council tax benefits scheme (BEN01)	31/05/11	30/11/11	4	Amended	15
Disabled Facilities (HOU21)	29/07/11	31/10/11	4	Without amendment	3
National Non Domestic Rates return (LA01)	24/06/11	23/09/11	4	Without amendment	3

(On this basis, and time required, we estimate that our fee for this work in 2010-11 will be approximately £20,000 (2009-10: £24,243).



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