



Bromsgrove District Council

Certification work report 2011/12

February 2012

Contents

1	Executive Summary	1
2	Results of our certification work	3

Appendices

A	Approach and context to certification	5
B	Details of claims and returns certified for 2010/11	7
C	Action plan	8

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 Grant Thornton have not certified any claims during 2011/12 as the work was completed by the Audit Commission. The Audit Commission certified two claims and returns for the financial year 2011/12 relating to expenditure of £45 million. All claims in 2012/13 will be certified by Grant Thornton.
- 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 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work.
- 1.7 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	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns. There was excellent cooperation over the housing benefits audit and savings on the audit fee accrued as a result.
Supporting working papers	Supporting working papers were generally of a good standard, which enabled certification within the deadlines.

The way forward

- 1.8 We have made recommendations for improvement for the housing benefits claim in Appendix C.
- 1.9 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

- 1.10 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

February 2013

2 Results of our certification work

Key messages

- 2.1 Two claims We have certified two claims and returns for the financial year 2010/11 relating to expenditure of £45 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.	%	
Total claims/returns		2		3		
Number of claims submitted on time	100%	2	100	3	100	→
Number of claims certified on time	100%	2	100	3	100	→
Number of claims certified with amendment	0%	0	100	1	33	↑
Number of claims certified with qualification	0%	1	50	1	33	→

- 2.3 The above table shows that Council now has very few claims that require audit. The disabled facilities grant was audited in 2010/11 but fell below the level that required an audit in 2011/12.
- 2.4 The housing benefits claim was subject to qualification this year and in previous years. The financial implications to the Council of this qualification will vary each year, depending on the cases audited, the types of errors identified and the view taken by the DWP on the errors reported. We will continue to work with officers to reduce the number of qualifications on this claim and to complete this audit as efficiently as possible.
- 2.5 Details on the certification of all claims and returns are included at Appendix B.
- 2.6 We charged a total fee of £685 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £8164 against an indicative budget of £13,300. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.7 There are no significant findings arising from the audits. Recommendations for improvement are contained in appendix C

- 2.8 A qualification letter was issued on the housing benefits claim. These errors did not indicate any underlying weakness in the Council arrangements for processing claims and are of the type that are commonly identified in these audits. Nevertheless the Council should continue to drive up the quality of its housing benefits processing to keep these errors to a minimum. This will ensure that the claimants receive the benefit that they are entitled to, in a timely manner and reduce the risk of financial penalties imposed by the DWP when a qualification letter is issued.

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.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2011/12 (£)	Fee 2010/11 (£)	Comments
Housing and council tax benefit scheme	20,065,750	N	n/a	Y	6,505	14,650	Fee reduction because of the lower number of errors identified in initial testing so that less further testing was required. This was combined with an increased reliance on the client staff for case testing.
National non-domestic rates return	25,142,654	N	n/a	N	1,659	3,102	More reliance was placed on the control environment and therefore less testing was required in 2011/12.
Disabled facilities grant	demin					682	No audit work was required in 2011/12.
Reporting to those charged with Governance					685	n/a	Reporting was not billed separately in 2010/11.
Total	45,208,404		nil		8,849	18,434	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefits	The council should continue to use a contractor to undertake the housing benefits testing. This has the benefit of both reducing the external audit fee but also means that the individual is able to focus on the work rather than having conflicting priorities.	H	The Council is currently assessing the structure within the benefits section as part of the transformation framework. We will review our plans for the housing benefits audit, taking into our account our assessment of cost versus benefit of using external contractors and agree these plans with external audit.
Housing Benefits	The Grant Thornton approach in 2012/13 requires that the housing benefits initial testing is completed prior to the opinion being issued on the accounts (30 September). A timetable should be prepared by the Council, agreed with us and sufficient staff resources earmarked to ensure that the timetable is achieved.	H	This will be discussed and agreed with External Audit and included in the planned timetable.

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefits	The Council did not prepare an adequate analytical review in advance of the audit and there was some significant variance between years of some of the key entries in the claim. The Council should ensure that key variances are understood by officers prior to the claim being signed and full explanations should be provided within the claim working papers.	H	This will be addressed by officers as part of the claim preparation.

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