



East Hertfordshire District Council

Certification work report 2011/12

January 2013

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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 your entitlement to funding.
- 1.2 We have certified 2 claims and returns for the financial year 2011/12 relating to expenditure of £78,827,762.
- 1.3 This report summarises our overall assessment of your 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, along with 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 you are performing well and there are no significant matters arising from our certification of claims and returns. There were minor amendments made to one claim (Housing Benefits) and one claim (NNDR) was qualified in 2011/12.
Supporting working papers	Supporting working papers for all claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.7 We have made recommendations to address the points raised in this report at Appendix C.
- 1.8 Implementation of the agreed recommendations will assist officers 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
January 2013

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 £78,827,762.
- 2.2 Your 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		4		
Number of claims submitted on time	100%	2	100	4	100	→
Number of claims certified on time	100%	2	100	4	100	→
Number of claims certified with amendment	0%	1	50	2	50	→
Number of claims certified with qualification	0%	1	50	0	0	↓

- 2.3 This analysis of performance shows that:
- The number of claims has reduced by 50% compared to prior year.
 - In 2011/12, 100% of claims were submitted and certified on time.
 - In 2011/12 errors were identified which led to one claim being amended (Housing Benefits) and to one return being qualified (NNDR).
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 We charged a total fee of £26,053 for 2011/12, compared to £21,339 for 2010/11. Our fee is in excess of our indicative budget of £20,000 for the certification of claims and returns in 2011-12. This is due to the additional work required as a result of the amendments to the Housing Benefit claim and the qualification of the NNDR return. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.6 We have the following observations in relation to your management arrangements and certification of individual grant claims and returns:

Grants co-ordination and compilation

- 2.7 Our work highlighted no significant issues relating to the systems and controls in place to administer and record grant receipts and payments. Supporting working papers provided by officers were of a good standard.

Certification of the National Non Domestic Rates return

- 2.8 Testing performed on 'empty premises' and 'losses on collection' identified a number of issues. These issues have not resulted in amendments to the 2011/12 return. Officers have agreed to process the adjustment in the 2012/13 return.

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 your underlying records
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to your underlying records. 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 you have 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 you 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 in turn 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	£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 (BEN01)	38,363,824	Yes	£nil	No	15,015	20,990	We were required to look in detail at Council Tax benefit overpayments following errors identified. This led to additional testing being required to enable us to assess the impact of any potential extrapolation or qualification.
National non-domestic rates return (LA01)	40,463,938	N/A	N/A	Yes	3,708	5,063	Errors were found under test 13 (empty premises) where relief was incorrectly awarded and test 15d (losses on collection) where an incorrect charge was made. No amendments to the return have been made as officers have agreed to process these adjustments in 2012/13 return.
Pooling of housing capital receipts (CFB06)	-	-	-	-	1,748	-	No requirement for certification of the Pooling of Housing Capital Receipts claim in 2011/12.
Disabled facilities (HOU21)	-	-	-	-	868	-	No requirement for certification of the Disabled Facilities claim in 2011/12.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Total	78,827,762	-	-	-	21,339	26,053	Additional work required due to the issues identified above resulted in an increase in the volume of work required compared to the previous year.

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
National Non Domestic Rates return (LA01)	Officers should ensure that amendments identified during our work relating to 'empty premises' and 'losses on collection' are processed within the 2012/13 return.	H	The changes highlighted will be processed within the 12/13 return due as part of the Council's overall closure of accounts.
Housing and council tax benefit scheme (BEN01)	Officers should ensure Council Tax benefit overpayments included in the claim are accurately recorded before submission for audit certification.	M	Officers will ensure that they review the claim before submission for audit certification to avoid errors in the submission.

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