



Grant Thornton

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South Derbyshire 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 the Council's entitlement to funding.
- 1.2 We have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £47,036,667.
- 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

- 1.7 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. This is a marked improvement on the Council's performance, as reported in our previous two years' reports, and reflects the increased efforts by the Council to meet these deadlines, particularly in respect of the housing and council tax benefit claim,
Accuracy of claim forms submitted to the auditor Amendments and qualifications	The most significant issues and findings in this report relate to the certification of the housing and council tax benefit claim. The errors noted in the claim are broadly consistent with those noted on 2010/11, suggesting the Council needs to take further action to address issues in some expenditure tenures. These errors have led to significant extended testing again in 2011/12.
Supporting working papers	Supporting working papers for claims and returns were good, which enabled certification within the deadlines. The quality of working papers has improved on the prior year reflecting the steps the Council has taken to strengthen its review procedures around the preparation of claims.

The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 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 Council officers for their assistance and co-operation during the course of the certification process.

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2 Results of our certification work

Key messages

- 2.1 We have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £47,036,667.
- 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		4		6		
Number of claims submitted on time	100%	4	100	4	66.7	↑
Number of claims certified on time	100%	4	100	5	83.3	↑
Number of claims certified with amendment	0%	1	25	1	16.7	→
Number of claims certified with qualification	0%	1	25	2	33.3	↑

- 2.3 This analysis of performance shows that the council has improved its overall performance with regard to the timely submission of claims and returns for certification and the number of claims and returns qualified.
- 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 £54,682 against an indicative budget of £59,000 for the certification of claims and returns in 2011-12. The variance relates to two grants not requiring auditor certification 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:

Housing and council tax benefit scheme

Local authorities responsible for administering housing and council tax benefit schemes can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits. The form upon which these subsidies are claimed is subject to our certification and the findings from our work are noted below.

Our initial testing of the claim form identified errors in all four of the tenure types, namely rent rebates (tenants of non-HRA properties), rent rebates (tenants of HRA properties), rent allowances and council tax. Many of these errors were consistent with those identified in 2010/11, particularly in relation to rent rebates expenditure for both HRA and non HRA tenants. However, significant improvements were noted in respect of council tax and the majority of rent allowance cells tested, demonstrating that the Council is now performing more extensive quality checks across these expenditure areas.

The Council completed extended testing on a total of 16 cells, covering all tenure types, to enable the errors to be quantified through extrapolation or, where the cell population is less than 100 claimants by absolute adjustment. We have quantified the impact of these errors in our qualification letter to be an over-claim by the Council in the region of £3,249. Although the absolute amount is not financially significant, the cost of extended testing, as per Audit Commission requirements, has resulted in a significant additional cost to the Council.

We have made recommendations at Appendix B to assist the Council in their continual improvement of its benefits arrangements.

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 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.

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 2010/11 (£)	Fee 2011/12 (£)
Housing and council tax benefit scheme	22,305,236	No	n/a	Yes	46,000	45,205
Housing and council tax benefit scheme – follow up work on 2010/11 claim as required by Department of Work and Pensions	n/a	n/a	n/a	n/a	n/a	1,745
National non-domestic rates return	20,458,841	No	n/a	No	4,465	4,451
Pooling of housing capital receipts	254,115	No	n/a	No	1,573	1,663
HRA subsidy claim	4,018,476	Yes	943	No	1,698	1,618
HRA subsidy base data return	Requirement for auditor certification removed in 2011/12				3,770	n/a
Disabled facilities grant	Requirement for auditor certification removed in 2011/12				1,173	n/a
Total	47,036,667		943		58,679	54,682

A fee of £685 has been charged in 2011/12 for reporting the results of certification work to those charged with governance, compared to a fee of £1,320 in 2010/11. The total cost has been apportioned across all grants for 2011/12.

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
<p>BEN01: Housing and Council Tax Benefits Scheme</p>	<p>Our review of the Council's rent rebates (tenants of non-HRA properties) population of 45 claimants, identified errors with 25 claims. These issues arose due to insufficient audit evidence, expenditure misclassification, ineligible housing benefit being awarded and incorrect income assessments being made.</p> <p>Recommendation The Council should ensure that non-HRA claims are entered accurately and that all supporting documentation is retained for the requested period of time.</p>	<p>H</p>	<p>Management response: Agreed.</p> <p>The majority of issues in this section were around ineligible charges arising from unclear invoices raised by accommodation providers and the way in which cases were recorded. A different approach has been adopted and work is being carried out to address any cases similarly treated in 2012/13 by 31st March 2013. In addition, any issues will not be as prevalent in the future as the Council is placing homeless people in short-term accommodation provided by a local charity.</p> <p>Implementation date: 31st March 2013</p>

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