

# North Hertfordshire District Council

## Certification work report 2010/11

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January 2012

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# 1. Introduction and approach

## Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As North Hertfordshire District 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 are 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 Council; or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council 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.

## 2. Results of our certification work

### Key messages

For the financial year 2010/11, we have certified three claims and returns for the Council, which amounted to £76,553,595. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial information.

The Council's performance in preparing claims and returns is summarised in the table below.

**Table One: Performance against key certification targets**

Performance measure	2010/11	2009/10	Direction of travel
Without qualification	3	1	↑
Claims amended	3	2	↓
Claims qualified	0	2	↑
<b>Total</b>	<b>3</b>	<b>3</b>	

This demonstrates that overall the Council's performance in preparing claims and returns has improved since 2009/10.

Details on the certification of all claims and returns are included at appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.

Where claims and returns have been amended and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan at appendix B.

The Council submitted all of its claims and returns on time. This enabled us to meet all the certification deadlines in 2010/11.

### 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.

**Table Two: Hourly rates for certifying claims and returns for 2010-11**

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

Our fee for certification work at the Council in 2010/11 was £20,796, compared to £27,519 for 2009/10. Our fee is less than our estimate of £27,500 included in our Annual Audit Plan 2010/11 presented to, and approved by, the Finance, Audit and Risk Committee in February 2010. Details of our fee by claim and return and how this compares to last year are included at appendix A.

### Significant issues

The following issues were identified:

#### **Housing benefit and council tax benefit subsidy claim**

Certification testing identified that the Northgate benefit system was applying an incorrect start date to a number of non-HRA rent rebate cases. Benefits officers ran a corrective script provided on request by the software provider and quantified the amendments required to the claim.

Testing identified that an assessor had included an incorrect working tax credit amount within a claimant's entitlement assessment. In response the full population of all equivalent cases was identified at our request and reviewed by benefits officers, in order to quantify an amendment to the claim.

A series of scripts provided to the Council by the software provider were processed by benefits officers, which identified a series of amendments that were required to the claim post submission to audit for certification.

All proposed amendments were reviewed and confirmed by ourselves as part of our certification.

### Acknowledgements

We would like to take this opportunity to thank the Council's grant claim co-ordinator and officers for their assistance and co-operation during the course of the certification process.

**Grant Thornton UK LLP**  
**January 2012**

# Appendices

## A. Details of claims and returns certified for 2010/11

Claim or return	Value (£)	Certificate	Summary	Fee 2010/11	Fee 2009/10
Housing benefit and council tax benefit subsidy claim (BEN01)	42,327,712	Amended	<p>Claim was fairly stated and in accordance with terms and conditions, subject to the following amendments made to the final claim:</p> <ul style="list-style-type: none"> <li>• correction of incorrect application of Local Housing Allowance rates;</li> <li>• correction of an isolated error resulting from use of an incorrect working tax credit amount in a claimant's entitlement assessment; and</li> <li>• to process a series of manual amendments identified from scripts provided by the Northgate benefit system software provider.</li> </ul>	£14,240	£22,518
National Non Domestic Rates return (LA01)	32,943,883	Amended	Return was fairly stated in accordance with relevant terms and conditions, but minor amendments were required to correct for a transposition error and ensure correct return completion.	£4,215	£4,483
Disabled Facilities (HOU21)	282,000	Amended	<p>Claim above £125,000 but below £500,000 therefore only limited testing was performed.</p> <p>Claim was fairly stated in accordance with relevant terms and conditions, but minor amendments were required to ensure correct claim completion.</p>	£1,778	£618
Cost of reporting to those charged with governance				£563	-
<b>Total</b>				<b>£20,796</b>	<b>£27,519</b>

## B. Action plan

Claim or return	Recommendation	Priority	Management response and implementation date
Housing benefit and council tax benefit subsidy claim (BEN01)	<p>Seek confirmation from the Northgate benefit system software regarding any manual amendments that may be required to the final claim, prior to submission to audit for certification.</p> <p>Early communication to audit of any manual amendments identified post submission to ensure that certification deadline can be met.</p>	Medium	
General submission arrangements	All claims and returns should be subject to a final check of arithmetic and form completion by an officer independent to the compilation of the claim or return, prior to submission to audit, to reduce the need for minor amendments.	Low	

### Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice



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