



## **North Hertfordshire District Council**

Certification work report 2011/12

January 2013

# Contents

|          |  |          |
|----------|--|----------|
| <b>1</b> | <b>Executive Summary</b>                 | <b>2</b> |
| <b>2</b> | <b>Results of our certification work</b> | <b>4</b> |

## Appendices

|          |  |          |
|----------|--|----------|
| <b>A</b> | <b>Approach and context to certification</b>               | <b>6</b> |
| <b>B</b> | <b>Details of claims and returns certified for 2011-12</b> | <b>8</b> |

# 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 2 claims and returns for the financial year 2011/12 relating to expenditure of £81 million.
- 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 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  | The Council submitted two claims for audit, the Non National Domestic Rates ['NNDR'] claim and the Housing and Council Tax Benefit claim were both submitted to the relevant government department by deadline. Both claims were certified within the required audit deadline.                                    |
| Accuracy of claim forms submitted to the auditor<br>Amendments and qualifications | Overall the Council has improved its performance of submitting accurate claims, the NNDR claim was not subject to amendment, as it had been in the prior year. The certified housing and council tax benefit claim was subject to amendment that resulted in a £25,600 positive financial impact for the Council. |
| Supporting working papers   | Supporting working papers for the claims and returns were of a good standard, which aided certification within the deadlines.   |

### 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 £81 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.                    | %   |                     |
| <b>Total claims/returns</b>                   |        | 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%     | 1                      | 50  | 3                      | 100 | ↑                   |
| Number of claims certified with qualification | 0%     | 0                      | 0   | 0                      | 0   | →                   |

- 2.3 This analysis of performance shows that:
- The Council has maintained their optimum performance in 3 of the 4 performance measures from last year.
  - There has been an improvement in the number of claims certified without amendment.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 We charged a total fee of £21,744 against an indicative budget of £25,000 for the certification of claims and returns in 2011-12. Details of fees charged for specific claims and returns are included at Appendix B.

### **Significant findings**

- 2.6 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

#### **Grants co-ordination**

- 2.7 The pre audited claims were submitted to the relevant government department by their deadline and all claims were certified and submitted in accordance with audit commission deadline.

#### **Compilation procedures**

- 2.8 The claims were compiled more accurately in 2011/12, which was reflected in the improvement in the decrease of claims certified subject to amendment. The number of claims submitted on time to the DWP/CLG has remained constant.

#### **Supporting working papers**

- 2.9 The quality of the supporting working papers has improved from the prior year, which is supported by the number of claims subject to amendment decreasing from 2 claims to 1 claim and the quality of the supporting working papers has ensured that all claims certified in 2011/12 were certified and submitted on time.
- 2.10 There has been an increase in the housing benefit fee from the prior year, which reflects the fact we detected from sample testing one case whereby housing association rents had not been correctly updated. We had to perform a 100% check of all housing association rents to ensure they had been correctly updated.

### **2012/13 Fee**

- 2.11 The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £11,100.
- 2.12 The fee assumes that there will be no qualification letters issued and there will be no instances of 40 plus testing on the housing and council tax benefits claim.

## 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.

| <b>Role</b>     | <b>2011/12</b> | <b>2010/11</b> |
|-----------------|----------------|----------------|
| 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 | 44,658,700        | Y        | £25,600              | N          | 14,240          | 19,556          |          |
| National non-domestic rates return     | 36,162,209        | N        | -                    | N          | 4,215           | 2,188           |          |
| Disabled Facilities                    | 282,000           | -        | -                    | -          | 1,178           | -               |          |
| <b>Total</b>                           | <b>80,820,909</b> |          | -                    |            | <b>19,633</b>   | <b>21,744</b>   |          |

**[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)**

© 2018 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication