



Ribble Valley Borough Council

Certification work report 2011/12

February 2013

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 2011-12	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 We have certified 2 claims and returns for the financial year 2011/12 relating to expenditure of £22 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 It should be noted some work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. (National Non Domestic Rates claim and part of the Housing Benefits claim work). Some of 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	The claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	There are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	There were a number of amendments required to the Housing and Council Tax Benefit grant claim as a result of our audit.
Supporting working papers	Supporting working papers for the NNDR claim were good, which enabled certification within the deadlines. Analytical review could be improved to better explain significant movements against the prior year for large recurring claims or returns, including Housing and Council Tax Benefit.

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.

Grant Thornton UK LLP

February 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 £22 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		2		
Number of claims submitted on time	100%	2	100	2	100	→
Number of claims certified on time	100%	2	100	2	100	→
Number of claims certified with amendment	0%	1	50	1	50	→
Number of claims certified with qualification	0%	0	0	0	0	→

- 2.3 This analysis of performance shows that:
- The Council's performance for 2011/12 is consistent with that of 2010/11.
 - The Housing and Council Tax Benefit claim required a greater number of amendments in 2011/12 than in 2010/11 and this impacted on the time it took to finalise the claim.
- 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 £7,700 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £20,418

against an indicative budget (estimate) of £22,470. 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:

Certification of Housing and Council Tax Benefit Claim

- 2.8 There were a number of issues identified from our audit of the Housing and Council Tax Benefit Claim in 2011/12 and there is scope for improvement in some areas.
- 2.9 The Council is required to run a number of reports on the housing benefit system Northgate prior to compiling the claim. Any issues identified by these reports should be reviewed and cleared. Review of these reports by us identified that some of the issues were not cleared prior to the claim being compiled and where amendments were made, a clear audit trail of the amendments was not provided. This impacted on the time taken to finalise audit of the claim.
- 2.10 There was a lack of an audit trail tracing through the amendments from the original claim submitted for audit to the final claim. It would be helpful if a spread sheet was maintained showing all amendments from the original claim to the final claim, including any amendments of the type referred to in the previous paragraph and any amendments identified by our audit.
- 2.11 The Council needs to ensure all control totals in the claim reconcile to the headline cells within the 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.

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 (£)	Comments
Housing and council tax benefit scheme	9,697,216	Yes	-19,389	No	16,855	26,640	Increase in the fee relates to the issues set out above. The fee is also dependent on the complexity of the cases identified via sampling for testing.
National non-domestic rates return	12,388,064	No	N/A	No	682	1,138	
Grants planning & administration						340	Charged against specific grants in 2010/11 but reported separately in 2011/12 for clarity.
Total	22,085,280		-19,389		17,537	28,118	Original estimated fee for 11/12 £22,470

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and Council Tax Benefit	Any issues identified by the Northgate system reports should be reviewed and cleared prior to the claim being compiled. Where amendments were made, a clear audit trail of the amendments should be provided.	H	We are working with our auditors to clarify the guidance around the running of the system reports and the action required.
	It would be helpful if a spread sheet was maintained showing all amendments from the original claim submitted for audit to the final claim.	H	The Benefits Manager and the Senior Accountant will now work more closely on the submission of the claims and the production of necessary spread sheet working papers.
	The Council needs to ensure all control totals in the claim reconcile to the headline cells within the claim.	H	We will ensure that all control totals agree.

www.grant-thornton.co.uk

© 2013 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