



## **Dover 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 certification work</b>	<b>4</b>

## **Appendices**

<b>A</b>	<b>Approach and context to certification</b>	<b>7</b>
<b>B</b>	<b>Details of claims and returns certified for 2011/12</b>	<b>9</b>
<b>C</b>	<b>Action plan</b>	<b>10</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 Prior to our appointment as the Council's auditors the Audit Commission (the Council's previous auditor) certified the claims submitted by the Council. The Audit Commission certified all four claims and returns for the financial year 2011/12 relating to expenditure of £86 million.
- 1.3 This report summarises the 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 that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditor's work.
- 1.7 A summary of all claims and returns subject to certification and details of the certification fees is provided at Appendix B. The key messages from the reviews 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 Messages
Submission and certification	The majority of the claims were submitted to audit on time and all claims were certified before the required deadline.
Accuracy of claim forms submitted to the auditor	No issues arising from the certification work had a significant impact on the figures in the claim or return or a material impact on the Council's financial statement.
Amendments and qualifications	Several amendments and a qualification letter were required for the housing and council tax benefit scheme, to report the findings of the audit to the sponsoring department and amend the return to correct their extrapolated impact, in line with auditor guidance. No amendments or qualifications were required for any of the other claims and returns.
Supporting working papers	Supporting working papers for the claims and returns are generally good and facilitate certification of the claims and returns before the deadlines.

#### The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from the 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**

**January 2013**

## 2 Results of certification work

### Key messages

- 2.1 Four claims and returns were certified for the financial year 2011/12 relating to expenditure of £86 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>		4		6		
Number of claims submitted on time	100%	3	75	6	100	↓
Number of claims certified on time	100%	4	100	6	100	→
Number of claims certified with amendment	0%	1	25	2	33	↑
Number of claims certified with qualification	0%	1	25	1	17	↓

- 2.3 This analysis of performance shows that:
- the majority of claims and returns were submitted for audit on time. Auditors were made aware of the late submission of the housing subsidy return and a later audit date was agreed
  - all claims and returns were certified before the certification deadlines
  - less amendments to claims and returns were required in 2011/12 compared with the previous year
  - one claim (the housing and council tax benefit scheme) was certified with qualification in 2011/12, the same as the previous year.
- 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 £293 for the certification and report of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £34,395. The fees charged were less than the indicative budget for the year and significantly lower than the previous year due to the limited amount of follow up work required for the housing and council tax benefit scheme.. 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:

#### **Management arrangements**

- 2.8 No significant issues were identified in relation to the Council's management arrangements for the compilation and submission of the claims and returns. One claim was submitted late due to conflicting pressures in finance, but the late submission was agreed with the relevant department and the auditors were advised so a later audit date could be agreed.

#### **Certification of housing and council tax benefit scheme**

- 2.9 The housing and council tax benefit claim is by far the Council's largest grant claim totalling over £47 million. A key element of our certification approach is detailed testing of a sample of benefit cases from the entries on the Council's subsidy claim form. The testing considers whether the Council has awarded benefit in accordance with the regulations and recorded it correctly for subsidy purposes.
- 2.10 The initial testing of 80 benefit cases identified only a small number of errors.
- 2.11 On non HRA rent rebates three errors were identified:
- One where the full applicable weekly LHA rate was applied in error for the last day of the year and one where the claim had two duplicate case numbers. Follow up work by the Council confirmed both these issues were isolated errors. The subsidy claim was amended for the actual errors identified.
  - One where no service charges had been deducted from rents. The Council reviewed all non-HRA rent rebate claims to identify any other cases with no service charge deductions. All these cases were reviewed (as there were less than 40 in total) and five further overpayments were identified. The claim form was amended to reflect all overpayments, based on the full population tested.
- 2.12 On council tax one error was identified in the cases reviewed, where one week's entitlement was duplicated in error. This error arose due to a system fault. The system supplier provided a full list of all affected cases and the claim form was amended to remove all these duplicate entries. A system patch has been provided by the system supplier to prevent the re-occurrence of this error in 2012/13.
- 2.13 No errors were identified from the review of 20 rent allowance cases and 20 rent rebate cases.
- 2.14 The results of all the testing completed has been reported to the Department for Works and Pensions in a qualification letter, together with the minor unresolved differences shown in the reconciliation of benefits granted to benefits paid.

- 2.15 All errors identified from testing have also been shared with both the Council and East Kent Services (who manage this service). East Kent Services has agreed to feed this information into individual and departmental training plans (in line with last year).

Recommendations

- Review the report of council tax duplicated periods provided by Civica and remove all duplicate entries from the housing benefit system
- Manually amend the 2012/13 subsidy claim to reverse the above system adjustments which were reflected in the certified 2011/12 subsidy claim

**Other claims and returns**

- 2.16 There are no significant issues to report in relation to the other claims and returns certified in 2011/12. All other claims were certified without amendment or qualification letters.

## 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 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.



### 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 tables below.

#### Standard

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

#### South East England

Role	2011/12	2010/11
Engagement lead	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

#### London

Role	2011/12	2010/11
Engagement lead	£380	£380
Manager	£210	£210
Senior auditor	£135	£135
Other staff	£105	£105

## 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	47,276,577	Yes	+ 31	Yes	40,576	30,700	Results of initial testing required limited follow up
National non-domestic rates return	31,478,404	No	0	No	1,476	1,327	Results of initial testing required limited follow up
Housing revenue account subsidy	5,909,522	No	0	No	3,618	982	Full year audit last year under cyclical plan. Results of initial testing required limited follow up
Pooling of housing capital receipts	1,243,175	No	0	No	813	822	
Other claims audited in 2010/11 for which no audit required in 2011/12					3,045	0	No audits required of disabled facilities grant and housing base data in 2011/12
Reporting to those charged with Governance					1,334	857	
<b>Total</b>	<b>85,907,678</b>		<b>31</b>		<b>50,862</b>	<b>34,688</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and council tax benefit scheme	Review the report of council tax duplicated periods provided by Civica and remove all duplicate entries from the housing benefit system.	M	All affected claims will be amended on the housing benefit system to remove all duplicate entries. Date for implementation 31 December 2012.
Housing and council tax benefit scheme	Manually amend the 2012/13 subsidy claim to reverse the above system adjustments which were reflected in the certified 2011/12 subsidy claim.	M	As this adjustment has been reflected in the 2011/12 subsidy claim it will be manually corrected in the 2012/13 claim to avoid double counting. Date for implementation 31 March 2013.

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