



## **South Hams District Council**

Certification work report 2011/12

December 2012

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# 1 Executive Summary

## Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as an agent of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some six to 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 The Council's auditor for 2011/12 was the Audit Commission's in house Audit Practice. Prior to its closure on 31 October 2012, the Audit Practice certified two claims and returns for the financial year 2011/12 relating to expenditure of £53 million.
- 1.3 Grant Thornton present this report as the Council's new auditors, summarising the work of the previous auditor. This report summarises the external audit assessment of the Council's management arrangements in respect of the certification process.

## Approach and context to certification

- 1.4 The external auditor provides 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 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 Messages
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well. However, the housing and council tax benefit subsidy claim was subject to amendment and qualification.
Supporting working papers	Supporting working papers for the certified claims and returns were good, which enabled certification within the deadlines.

### The way forward

- 1.8 We have made a recommendation to address the significant matter which is detailed at Appendix C.
- 1.9 Implementation of the agreed recommendation will assist the council in compiling an accurate and timely housing benefit subsidy claim for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

### Acknowledgements

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

**Grant Thornton UK LLP**

**December 2012**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified two claims and returns for the financial year 2011/12 relating to expenditure of £53 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	1	50	→
Number of claims certified with qualification	0%	1	50	1	50	→

- 2.3 This analysis shows that performance is consistent year on year. The housing and council tax benefit subsidy claim was certified with amendment in both years and associated qualification letters were issued. In addition, a significant housing benefit subsidy cut-off issue was identified in 2011/12 which is discussed further at paragraph 2.7.
- 2.4 Details on the certification of both claims and returns are included at Appendix B.
- 2.5 Your previous auditor, the Audit Commission, charged a total fee of £18,797 against an indicative budget of £21,000 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 finding was identified in relation to the management arrangements and certification of the housing benefit subsidy claim:

**Certification of housing and council tax benefits claim**

- 2.7 The housing benefit subsidy claim presented for certification took account of benefit payments made in the 2011/12 financial year based on the Subsidy Order with the exception that the final payment run of the financial year was completely excluded from the 2011/12 claim. This payment run included payments for periods that spanned 2011/12 and the 2012/13 financial year. As these should be claimed in the year in which the payment is made, payments totalling £1,105,393 were incorrectly excluded from the 2011/12 claim. Due to the same issue at the end of the 2010/11 financial year, payments of £1,033,355 that were made in 2010/11 were incorrectly included in the 2011/12 claim. This matter was reported in the qualification letter submitted to the Department.

## 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	27,805,871	Yes	1	Yes	16,093	16,824	Increased time required to address the cut-off related issue in 11/12.
National non-domestic rates return	24,870,903	No	Not applicable	No	3,122	1,028	Part A & B testing required in 2010/11 (Part A only in 2011/12).
Disabled facilities grant	Not applicable	Not applicable	Not applicable	Not applicable	799	0	No requirement to certify this claim for 2011/12.
Reporting to those charged with Governance	Not applicable	Not applicable	Not applicable	Not applicable	1,620	945	Less schemes subject to certification in 2011-12.
<b>Total</b>	<b>52,676,774</b>				<b>21,634</b>	<b>18,797</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and council tax benefit scheme	The Authority must ensure that housing benefits payments for periods which bridge two financial years are claimed in the year in which the payment is made.	H	The sequence of payment run jobs in late March will be changed to ensure that subsidy is claimed in the correct year.

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