



## **Thanet District Council**

Certification work report 2011/12

February 2013

# Contents

<b>1</b>	<b>Executive Summary</b>	<b>1</b>
<b>2</b>	<b>Results of our certification work</b>	<b>3</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 2010/11</b>	<b>7</b>
<b>C</b>	<b>Action plan</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 the Housing Benefit and Council Tax Subsidy claim for the financial year 2011/12 of £82 million. In addition, three claims for the financial year 2011/12 were certified by the Audit Commission prior to our appointment as the Council's auditors. These totalled a further £31 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 The findings set out in this report therefore represent the results of your previous auditors work and our work on since 1 November 2012.
- 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	All claims were submitted on time 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 and there are no significant matters arising from our certification of claims and returns. The Housing and Council Tax Benefit claim is the largest and most complex claim. This required amendments to reflect further testing on errors identified in non-hra and rent allowance cases. The claim was also qualified as a result of reconciliation differences and under-claimed subsidy. The Pooling of Capital Receipts claim is the smallest and required one amendment before certification.
Supporting working papers	Supporting working papers for claims were good and officers were prompt and helpful in responding to auditor queries throughout.

#### 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 the Housing Benefit and Council Tax Subsidy claim for the financial year 2011/12 of £82 million. In addition, three claims for the financial year 2011/12 were certified by the Audit Commission prior to our appointment as the Council's auditors. These totalled a further £31 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%	4	100	6	100	→
Number of claims certified on time	100%	4	100	6	100	→
Number of claims certified with amendment	0%	2	50	3	50	↑
Number of claims certified with qualification	0%	1	25	1	17	→

- 2.3 This analysis of performance shows that:
- the Council has maintained its performance in submitting claims on time and providing supporting documentation to the audit team to enable certification by the grant paying body's deadline; and
  - performance has slightly improved in accurately preparing the claims and returns submitted for audit with two claims requiring amendment and one claim requiring qualification following audit testing.
- 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 £14,773 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged £26,383, resulting in a total fee of £41,156 against an indicative budget of £40,000. Details of fees charged for specific claims and returns are included at Appendix B.

### **Significant findings**

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

#### **Certification of Housing and Council Tax Benefit**

- 2.8 Audit testing of the claim is undertaken in accordance with the Audit Commission work programme, HB COUNT. This requires us to carry out general procedures relating to the compilation of the claim, system arrangements and sample testing of 20 cases across the four types of benefit paid by the Council. The detailed testing covers all transactions for each case in the sample to confirm benefit has been awarded in accordance with regulations.
- 2.9 The audit of the 2011/12 claim identified 9 out of 80 errors within the initial sample testing. These represent six areas of error as follows:
- rent allowance: 1 case failed due to incorrect non-dependent information. Further testing did not identify any additional errors. The claim was amended, based on extrapolation.
  - non-HRA rent rebates: 2 cases failed due to inaccurate eligible rent. In one case, the daily rent was applied as weekly and in this instance testing of all applicable cases identified two further errors. As these would always result in an underpayment, there is no impact on the subsidy claimed and this is reported in the qualification letter only. In order to address the other rent error, a further 40 cases were tested. Further testing did not identify any additional errors. The claim was amended, based on extrapolation.
  - non-HRA rent rebates: 2 cases failed due to misclassification between cells 12 and 13. Manual adjustments had been incorrectly applied to these cases. All manual adjustments to these cells were revisited by the authority and our sample testing confirmed revised figures as correct. The claim was amended accordingly.
  - non-HRA rent rebate: 1 case failed due to misclassification of B&B as short-term lease. The full population of seven cases identified three further errors. The claim was amended accordingly.
  - non-HRA rent rebate: 1 case failed due to application of incorrect cap figure. The full population of twenty-seven cases identified four additional errors. The claim was amended accordingly.
  - non-HRA rent rebate: 2 cases failed due to inappropriate negative entries in cell 23. All similar cases were reviewed by the authority to provide a revised cell 23 entry. Our sample testing confirmed revised figures as correct and the claim was amended accordingly.
- 2.10 The Council uses the Civica benefit software. The software supplier provides a method for the Council to reconcile benefit granted per the benefit software (net of adjustments such as local schemes, DHP, write offs and overpayments) to benefit paid per the benefit software. These reconciliations prepared for each benefit type highlighted unexplained differences. The lower of the figures for each headline cell has been used in the subsidy claim. This was reported in the qualification letter.

**Certification of Pooling of Capital Receipts**

- 2.11 Our review of the supporting documentation for this claim identified that the original figure incorrectly included administration costs of £1,968 not relating to Right to Buy properties and incorrectly included interest costs of £49. This results in a increase in the payment to the pool of £1,427.

## 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.



## B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	82,381,659	Yes	-11,012	Yes	34,890.50	36,873.00	Increase reflects additional time to resolve issues on non-hra cells.
National non-domestic rates return	29,971,645	No	0	No	1,774.50	1,291.00	Decrease reflects low number of issues identified and efficiencies in using the same auditor who completed the 2010/11 claim..
HRA Subsidy	903,085	No	0	No	2,905.00	903.00	Decrease reflects completion of full testing in 10/11 as part of cyclical plan.
Pooling of Housing Capital Receipts	423,025	Yes	-1,427	No	1,051.50	1,309.00	Small increase reflects time taken for 2011/12 issues and amendment..
Housing Finance Base Data Return	Certification for 2011/12 not required				2,322.00	n/a	Certification not required for 2011/12
Disabled Facilities Grant	Certification for 2011/12 not required				1,335.50	n/a	Certification not required for 2011/12
Planning/Reporting to those charged with Governance	n/a				328.50	780.00	More allocation of planning and reporting costs directly to claims in prior year.
<b>Total</b>	<b>113,679,414</b>		<b>-12,439</b>		<b>44,607.50</b>	<b>41,156.00</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and Council Tax Benefit	Ensure any differences identified by the software suppliers reconciliation between benefit granted and paid are investigated	M	Additional work on reconciliations will take place.
Housing and Council Tax Benefit	<p>Consider the errors identified during the 2011/12 audit i.e. manual adjustments, eligible rent figures, non-hra classifications and non-dependent information.</p> <p>Ensure that appropriate arrangements are put in place to address i.e. specific training for staff and/or focused quality control checks.</p>	M	Errors identified have been addressed with the relevant officers.
Pooling of Capital Receipts	Ensure all costs included are appropriate and do not include administration costs for non right to buy properties or interest costs.	M	<p>The Pooling of capital receipts system has now changed which has resulted in government setting a fixed administration cost per sale of £1,300 and repayment costs are now calculated on a standard electronic form issued by central government. With regard to the interest costs, the CLG guidance allows for the interest costs to be included and this was provided to the Auditors, however their own guidance and control matrix did not allow for this, due to the small amount involved the claim was adjusted.</p>

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