



## **Tamworth Borough 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 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, and the Audit Commission prior to our appointment as the Council's auditors have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £53 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 that the work on all claims except the Housing and Council Tax Benefit claim was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore also represent the results of your previous auditors work on the other 3 claims. We completed the work on the Housing and Council Tax Benefits claim on appointment as the Council's auditors on 1 November 2012. This work was completed in line with the Audit Commission's handover protocol.
- 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**

<b>Aspect of certification arrangements</b>	<b>Key Message</b>
Submission and certification	All claims were submitted on time to audit and they were all certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	<p>Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.</p> <p>Two claims were amended. The amendments totalled £12,662 which is less than 1% of the £53m total value of claims certified.</p> <p>The only claim subject to qualification was the Housing and Council Tax benefit claim. The qualification referred to two cases identified from our testing where benefit had been underpaid. The claim was also subject to amendment. The amendment resulted in an increase in subsidy due to the Council of £1,826. The issues identified were minor and random in nature and we have no recommendations to make in this matter.</p> <p>The Non National Domestic Rates claim was subject to a minor amendment of £10,836. Testing identified that there were two instances where the empty property exemption from NNDR liability was applied for too long. The issue was isolated in nature and arose due to a system failure to switch off the exemption when the end of the period was reached. Management have put in place a control to ensure checks are made to ensure exemptions are not applied beyond the qualifying period. We have no recommendations to make in this matter.</p>
Supporting working papers	<p>Supporting working papers for the claims and returns were again of a good standard. Officers responded to any queries promptly and were very co-operative. These factors enabled certification within the deadlines.</p> <p>We have no recommendations to make.</p>

**The way forward**

- 1.8 We have no recommendations to make, other than a general recommendation to ensure that the good working practices continue.
- 1.9 The continuation of good working practices assists the council in compiling accurate and timely claims for certification. This reduces 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 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**

**December 2012**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified 4 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>		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	1	17	↓
Number of claims certified with qualification	0%	1	25	1	17	↓

- 2.3 This analysis of performance shows that:
- Overall the Council's good performance in submitting its claims and returns; and ensuring they are certified by us on time has continued.
  - Although the number of claims certified with amendment and qualification has increased by 25%, this does not represent a significant deterioration in performance because of the small number of claims involved, and the small value of amendments.
  - The overall value of amendments is insignificant to the total value of claims and returns we certified; and that the results of our work have not identified any significant concerns.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.

- 2.5 We charged a total fee of £8,046 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £27,085. The total of £35,041 is more than the indicative budget of £31,500 because of the additional testing on the NNDR and the benefits grant claims. Details of fees charged for specific claims and returns are included at Appendix B.

**Significant findings**

- 2.6 We identified no issues of significance and thus have nothing to report to you.

## 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	£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	26,408,643	Yes	1,826	Yes	29,390	26,496	
National non-domestic rates return	29,942,846	Yes	10,836	No	1,003	6,260	<p>1 The Audit Commission directs that all claims must have the full range of testing performed every 3 years despite our being able to rely on controls. Full testing was required on this return in 2011/12.</p> <p>2 Testing identified one error that required us to review all cases that attracted empty property exemption from business rates.</p>
HRA Subsidy	3,392,124	No	n/a	No	2,805	1,340	The global risks applicable to this claim in 2010/11 did not apply in 2012. Less testing was required as we were able to rely on controls.
Pooling of Housing Capital Receipts	291,589	No	n/a	no	730	945	

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Disabled Facilities Grant	n/a	n/a	n/a	n/a	475	0	This claim was not subject to certification in 2011/12.
Reporting to those charged with Governance	n/a	n/a	n/a	n/a	n/a	n/a	This fee is apportioned across the individual claims and returns.
<b>Total</b>	<b>53,250,954</b>		<b>12,662</b>		<b>38,446</b>	<b>35,041</b>	Overall there were fewer claims requiring certification in 2011/12. This led to lower fees being charged in 2011/12.

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