



Maidstone 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

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 one claim and return for the financial year 2011/12 relating to expenditure of £52.5 million in respect of Housing and Council Tax Benefit Subsidy. This certification was carried out following the handover of partly completed work from the Audit Commission at 31/10/12. Previously the Audit Commission's in-house auditors certified the Council's Business Rates (NNDR) return.
- 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 most of the 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 primarily 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	All claims were submitted on time to audit and were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	The Council is performing well and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	As in previous years, some minor amendments were made to the housing benefit grant claim. The net effect of these was to increase subsidy receivable by £640. Four cases of underpaid benefit were reported in the qualification letter, as required by the certification guidance.
Supporting working papers	Supporting working papers for all claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have not identified any areas where action is required to improve the Council's procedures for completion and submission of grant claims and returns.

Acknowledgements

- 1.9 We would like to take this opportunity to thank the Council's 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 one claim and return for the financial year 2011/12 relating to expenditure of £52.5 million in respect of housing and council tax benefit subsidy. The non-domestic rates return (£51.9m) was audited by the Audit Commission's in-house auditors. There was no requirement for external audit of the Council's disabled facility grant claim in 2011/12.
- 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	100	3	100	→
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 without amendment	100%	1	50	1	66	→
Number of claims certified without qualification	100%	1	50	1	66	→

- 2.3 The number of grant claims and returns requiring audit for a council such as Maidstone is too small to draw meaningful conclusions in respect of trends in performance. The control environment at the Council is sound, and good quality assurance arrangements are in place. However, the size and complexity of the housing benefit subsidy grant claim at most authorities is such that it is unusual for it to be certified without any amendments, and a qualification letter is often required to comply with the detailed audit certification guidelines laid down by the DWP and Audit Commission.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Your previous auditors, the Audit Commission, charged a total fee of £27,515 against an indicative budget of £29,000 for the certification of claims and returns in 2011-12. We charged a fee of £1,360 in respect of the housing and council tax benefit subsidy claim. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

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

Grants co-ordination

- 2.7 Sound arrangements are in place to ensure that all grant claims and returns are completed in accordance with statutory requirements and submitted to meet statutory deadlines

Compilation procedures

- 2.8 As noted in previous years, a good control environment is in place to ensure that claims are supported by clear working papers and correctly recorded in the Council's ledgers and financial statements.

Certification of Housing and Council Tax Benefit Subsidy Claim

- 2.9 Some minor amendments to the claim were required in respect of errors identified from our initial testing samples. Total net amendments to the claim amounted to £640.
- 2.10 One case was identified where the previous year's Local Housing Allowance rate had been applied in error, with the difference between the current and prior year classified as payments exceeding the cap. On extending the sample to the whole population one further case was identified, and the claim was amended.
- 2.11 Two cases were identified where overpayments had been incorrectly classified as claimant error rather than as due to administrative delay. All cases of this type were subsequently examined by officers and some further classification errors identified, resulting in a reclassification of £818 between overpayment cells on the subsidy claim.
- 2.12 One case was identified where an increase in the claimant's earnings had not been applied, and new benefit was awarded using out of date information. However this did not impact on the claimant's benefit entitlement, and additional testing did not identify any further errors of this type.
- 2.13 In accordance with the certification requirements, a qualification letter was submitted to notify the DWP of four cases totalling £306 where benefit had been underpaid to individual claimants. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect the subsidy claim and are therefore not classified as errors for subsidy purposes. In all cases, our additional testing confirmed these were isolated errors and no further action was required.

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	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

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	52,502,560	yes	+ 640	yes	28,833	28,385	
National non-domestic rates return	51,939,931	no	n/a	no	455	490	
Reporting to those charged with Governance					540	435	
Total	104,442,491		640		29,828	29,310	

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