

## **Audit Committee – 25 February 2013**

### **Grant Thornton: Grant Certification Report 2011/12**

#### **1. Summary of report**

- 1.1 This report presents Grant Thornton's work in relation to grant certification for the financial year 2011/12.

#### **2. Recommendations**

- 2.1 Audit Committee is requested to consider and note the report.



James Walsh, Chief Finance Officer  
24 January 2013

#### **3. Governance**

- 3.1 Grant Thornton are the council's independent external auditors, appointed by the Audit Commission. Outcomes from their work will assist the council in maintaining strong governance arrangements.

#### **4. Resource, Legal, Performance and Risk Management considerations**

- 4.1 Grant certification work for 2011/12 covered the external audit of 3 claims and returns covering approximately £220m of the council's expenditure. All claims were submitted on time to the auditors and the audit certification was completed within the required deadlines. Two minor amendments were made during the audit. Two recommendations were made by the Auditors, which officers have agreed with.

#### **5. Equality implications**

- 5.1 There are no direct implications arising from this report.

#### **6. Consultation**

- 6.1 The report is prepared in consultation with various senior managers.

#### **7. Background papers**

Various report and working papers, statutory and other guidance.

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## **Walsall Metropolitan Borough Council**

Certification work report 2011/12

January 2013

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# 1 Executive Summary

## Introduction

- 1.1 Grant Thornton, as the Council's auditor 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 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 3 claims and returns for the financial year 2011/12 relating to expenditure of £220 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 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 all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	<p>Two claims were amended:</p> <p>One of these was the Housing and Council Tax Benefits return, where the overall impact was a reduction of grant of £69,993. The value of the amendment represented a relatively small percentage of the total value of the claim certified.</p> <p>In addition, the National Non-Domestic Rates return was amended, which resulted in an increase in the contribution to the pool of £105,614. This was as a result of the bad debt provision movement having been incorrectly calculated.</p>
Supporting working papers	<p>Supporting working papers for the claims and returns were good, which enabled certification within the deadlines.</p> <p>We have recommended that the Council produces a timetable to ensure that the Benefits team has adequate time to review and resolve any issues prior to submission of the claim form by the funding body deadline.</p>

### The way forward

- 1.8 We have made two recommendations to address the key messages above and other findings arising from our certification work at Appendix C. Our recommendations have been agreed by Council officers.
- 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 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**

**January 2013**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified 3 claims and returns for the financial year 2011/12 relating to expenditure of £220 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>		3		8		
Number of claims submitted on time	100%	3	100	8	100	↔
Number of claims certified on time	100%	3	100	7	87.5	↑
Number of claims certified with amendment	0%	2	66	1	12.5	↓
Number of claims certified with qualification	0%	0	0	0	0	↔

- 2.3 This analysis of performance shows that:
- overall the Council has continued its good performance in submitting its claims and returns, ensuring they are certified by us on time
  - although the percentage of claims certified with amendments has increased, this does not represent a significant deterioration in performance because of the fewer number of claims involved, and the low overall monetary value of the amendments.
- 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 £44,900 against an indicative budget of £55,000 for the certification of claims and returns in 2011/12, the reduction of fee reflecting the Council's generally good performance in this area. Details of fees charged for specific claims and returns are included at Appendix A.

**Significant findings**

- 2.7 We are pleased to report that we identified no significant findings this year. However, we have made two recommendation for the Council's attention, which have been documented at Appendix C.

## APPENDIX A

### Approach and context to certification

#### Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agent 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 Council; or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

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 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

## APPENDIX B

### Details of claims and returns certified for 2011/12

Claim or return	Value (£000)	Amended?	Amendment Amount (£000)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	138,281	Y	70	N	36,354	35,500	Our work identified that the benefit paid could not be reconciled to benefit granted at 30 April 2012. The deviation resulted in an amended claim form.
National non-domestic rates return	65,475	Y	105	N	3,965	3,650	The claim form was amended in respect of losses in collection from £1,160,155 to £1,054,541, increasing the contribution to the pool. This resulted from a bad debt provision movement having been incorrectly calculated.

Claim or return	Value (£000)	Amended?	Amendment Amount (£000)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Teachers' pensions return	18,716	N	N/A	N	6,225	5,750	<p>A minor classification amendment was identified and agreed with the Council to reclassify the PRESTON payments of £621.60 to contributions paid. There was no impact on the overall total as this is a reclassification from one line to another.</p> <p>However, we identified that the controls around the review process of the claim prior to signing need to be formalised and improved to retain formal evidence of the checks undertaken.</p>
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>219,593</b>		<b>175</b>		<b>46,544</b>	<b>44,900</b>	

## APPENDIX C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and council tax benefit scheme	The Council should ensure that it timetables the production of reports to support subsidy claim. This will allow the benefits team to have adequate time to resolve reconciliation issues prior to submission of the claim form by the funding body deadline.	L	Agreed. Responsible Officer is Head of Benefits. Implementation in advance of the 2012/13 submission date.
Teachers' pensions return	The controls surrounding the internal review process prior to signing the claim should be formalised i.e. to retain evidence of the audit checks completed internally.	L	Agreed. Responsible Officer is Senior Human Resources Manager – Direct Services. Implementation in advance of the 2012/13 submission date.

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