

**Audit Committee – 13 March 2012**

**Grant Thornton: Grant Certification Report 2010/11**

**Summary of report**

This report presents Grant Thornton's work in relation to grant certification for the financial year 2010/11.

Audit Committee are requested to formally consider the attached document.

**Recommendations**

Audit Committee are requested to formally consider and receive the Grant Certification report 2010/11.



**Vicky Buckley, Head of Finance**

**6 February 2012**

**Governance**

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.

**Resource, Legal, Performance and Risk Management considerations**

Grant certification work for 2010/11 covered the external audit of 8 claims and returns, covering £231m of the council's expenditure. All claims were submitted on time to the auditors and the audit certification was completed within the required deadlines. One claim was amended during the audit, by £28.00. This related to the housing and council tax benefits scheme claim of £130.5m, representing an adjustment of less than 0.00002% of the total claim value.

**Equality implications**

There are no direct implications arising from this report.

**Consultation**

The report is prepared in consultation with various managers and the Chief Finance Officer.

**Background papers**

Various report and working papers, statutory and other guidance.

**Author:** Vicky Buckley – Head of Finance, ☎ 01922 652470,

✉ [buckelyv@walsall.gov.uk](mailto:buckelyv@walsall.gov.uk)

# Walsall Metropolitan Borough Council

## Certification work report 2010/11

---

March 2012



# Content

1	Introduction and approach	1
2	Results of our certification work	3

## **Appendices**

A	Details of claims and returns certified for 2010/11
B	Action Plan

# 1 Introduction and approach

## Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As Walsall Metropolitan Borough Council's (the Council) external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.

The Audit Commission makes certification arrangements with grant-paying bodies, this includes confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and they clearly set out the specific procedures to be applied in examining a claim or return. The Audit Commission agrees the deadline for submission of each claim by councils and the deadline for certification by auditors.

## Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2010/11 were:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement, or any certification requirement set out in grant terms and conditions;
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data; and

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests, to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work, where possible.

## **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.

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.

## 2 Results of our certification work

### Key messages

For the financial year 2010/11, we have certified 8 claims and returns for the Council, which covered £231million of the Council's expenditure. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial information.

The Council's performance in preparing claims and returns is summarised in the table below.

**Table One: Performance against key certification measures**

Performance measure	Target	Target met?	Achievement in 2010/11		Achievement in 2009/10		DoT <sup>1</sup>
			No.	%	No.	%	
Claims certified without amendment or qualification	100%	✘	7	87.5%	6	75%	↑
Claims amended	0%	✘	1	12.5%	2	25%	↑
Claims qualified	0%	✔	0	0%	1	12.5%	↑

<sup>1</sup> Direction of Travel

This demonstrates that the Council's performance in preparing claims and returns has improved since 2009/10.

Details on the certification of all claims and returns are included at appendix A. Our work has not identified any significant issues which we wish to bring to your attention.

The Council's and our performance in meeting deadlines relating to the eight claims and returns is summarised in Table Two.

**Table Two: Performance against deadlines**

Performance measure	Target	Target met?	Achievement in 2010/11		Achievement in 2009/10		DoT <sup>1</sup>
			No.	%	No.	%	
Claims submitted by Council deadline	100%	✔	8	100%	7	87.5%	↑
Claims certified by auditor deadline	100%	✔	8	100%	8	100%	=

The Council has significantly improved its arrangements to submit claims and returns to us within the required deadlines. This has enabled us to continue to meet all the certification deadlines in 2010/11.

### Certification work 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 and have not changed from the previous year.

**Table Three: Hourly rates for certifying claims and returns**

Role	2010/11 hourly rate
Engagement lead	£325
Manager	£180
Senior auditor	£115
Other staff	£85

Our overall fee for certification work at the Council in 2010/11 was £63,161, compared to £68,981 for 2009/10. Our fee is lower than our estimate of £69,000 included in our Audit Approach Memorandum presented to, and noted by, the Audit Committee in 28 February 2011, which reflects the improvements made by the Council in this area. Details of our fee by claim and return and how this compares to last year are included at Appendix A.

### Cost of reporting to those charged with governance

The cost of reporting to those charged with governance on the results of certification work is a requirement of section 28 of the Audit Commission Act 1998. This includes debriefs on individual claims with relevant staff and time allocated to produce this report. The cost of this is apportioned over each grant certified and not reported as a

separate item. The total cost apportioned across all grants for 2010/11 of reporting to those charged with governance is £1,118.

### Management arrangements

In our 2009/10 certification report, we reported that the Council was seeking to tighten processes and procedures and introduce more consistency into the approach to grants management. The key elements within this were:

- the revision of the grants manual (including a widening of its scope);
- the introduction of a claims and returns co-ordination role within central finance; and
- continued emphasis on on-going training and development arrangements.

These initiatives were in their infancy at the time of our 2009/10 report but the improvement in the Council's performance against key certification targets and deadlines indicates that the initiatives are having a positive effect on those claims which were subject to certification in 2010/11.

We acknowledge that there are also claims and returns that are not subject to certification and the Council should ensure that the revised arrangements are also effective in respect of these.

### Significant issues

During the course of our certification work we did not identify any significant issues for reporting to those charged with governance.

### Acknowledgements

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

**Grant Thornton UK LLP**  
**March 2012**



# A Details of claims and returns certified for 2010/11

Ref	Claim	Claim value 2010/11	Amended? Y/N	Amendment value (£)	Qualified Y/N	Fee 2010/11 (£)	Fee 2009/10 (£)	Fee variance (£)
LA01	National Non Domestic Rates Return	63,735,245	N	Nil	N	3,965	5,741	(1,776) <sup>2</sup>
RG32	Single Programme	150,485	N	n/a	N	1,045	760	285
BEN01	Housing and Council Tax Benefits Scheme	130,510,222	Y	28.00	N	36,354	41,399	(5,045) <sup>3</sup>
EYC02	General Sure Start Grant	13,859,977	N	n/a	N	4,865	5,070	205
HOU21	Disabled Facilities Grant	1,215,000	N	n/a	N	1,080	1,345	(265)
PEN05	Teachers' Pensions Return	18,716,133	N	n/a	N	6,225	5,298	927
TRA11	Local Transport Plan: Major Projects	178,000	N	n/a	N	3,670	3,577	93
RG03	New Deal for Communities	2,508,000	N <sup>4</sup>	Nil	N	5,958	5,791	167
<b>Total</b>						<b>63,161</b>	<b>68,981</b>	<b>(5,819)</b>

<sup>2</sup> The amendment to the National Non Domestic Rates Return was of the same nature as in 2009/10 and therefore there was precedence in place for the steps required to investigate, address and resolve the issue. This therefore led to a decrease in time spent on the claim for 2010/11, resulting in a corresponding decrease in the certification fee.

<sup>3</sup> In 2009/10 this claim was qualified. By its nature a qualification requires further work to be performed. The qualification did not recur for 2010/11, which has led to a decrease in the certification fee for 2010/11.

<sup>4</sup> Additional work was done in regard to the New Deal for Communities claim to ascertain the correct disclosures to be included within Schedule 4 of the claim. However, these adjustments did not impact on the figure required to be used for certification work data return purposes (which in this instance was the total of all payments made from NDC grant in funding). This is the figure on which the value of the amendment is calculated and reported to the Audit Commission. As there was no impact on this figure the amendment value is calculated as £nil.

# B Action Plan

Claim or return	Recommendation	Priority (H/M/L)	Management response & implementation details
LA01: National Non Domestic Rates Return	<p>The amendment in 2010/11 was to correct a Community Amateur Sports Association that had been erroneously included as a Charitable Occupation.</p> <p>A similar amendment was also identified in our 2009/10 certification work..</p> <p><b>Recommendation</b></p> <p>To avoid recurrences of the same amendment, we recommend that officers review the organisations included within Charitable Occupations to ensure that they are appropriately classified. This will reduce the need for amendments, which will reduce audit time on the claim, and which will have a direct impact on the audit fee charged.</p>	M	<p><b>Management response:</b></p> <p>All current awards have been verified and procedures have been enhanced to include additional checks when reliefs are applied or amended by the Business Rates team. A further check will be carried out when the National Non Domestic Rates Return is prepared.</p> <p><b>Responsible officer:</b></p> <p>Dawn Edmonds</p> <p><b>Implementation date:</b></p> <p>April 2012</p>



**[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)**

© 2012 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.

This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement.

The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP