

# London Borough of Haringey

## Certification work report 2010/11

January 2012



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# 1 Introduction and approach

## Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As London Borough of Haringey'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 authorities 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 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.

## 2 Results of our certification work

### Key messages

For the financial year 2010/11, we have certified eleven claims and returns for the Council, which amounted to £391,084,426. 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 targets**

| Performance measure   | 2010/11   | 2009/10   | Direction of travel |
|-----------------------|-----------|-----------|---------------------|
| Without qualification | 5         | 5         | →                   |
| Amended               | 5         | 7         | ↑                   |
| Qualified             | 1         | 1         | →                   |
| <b>Total</b>          | <b>11</b> | <b>13</b> |                     |

This demonstrates that overall the Council's performance in preparing claims and returns has more or less remained the same as in 2009/10. Only one claim was qualified this year, the Housing and Council Tax Benefit subsidy claim which is consistent with the previous year. Although the claim was qualified, it should be noted that the Council's arrangements for preparing the 2010/11 claim improved considerably compared to the prior year. The Council has introduced enhanced quality control procedures within the Benefits and Local Taxation Team, as well as instigating Internal Audit carrying out in-year reviews of benefit assessments. Compared to previous years the level of errors identified had reduced significantly, we were able to complete our work two months earlier than in the prior year and the DWP has accepted that in 2010/11 no subsidy needs to be clawed back. The Council should be commended for the improvements noted.

Fewer claims were amended in 2010/11, 5 against 7 in 2009/10. However, due to the lower number of claims submitted overall this is, in effect, relatively consistent with the prior year. The number of claims submitted without amendment and qualification remained the same as the previous year.

Details on the certification of all claims and returns are included at appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.

Where claims and returns have been amended or qualified and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan at appendix B.

The Council's and our performance in meeting deadlines related to the certification of claims and returns is summarised in Table Two below.

**Table Two: Performance against deadlines**

| Deadline              | 2010/11 | 2009/10 | Direction of travel |
|-----------------------|---------|---------|---------------------|
| Submitted by deadline | 11      | 13      | →                   |
| Certified by deadline | 9       | 12      | ↓                   |

The Council submitted all of its claims and returns on time. We certified nine of eleven of the claims and returns within the relevant deadlines set by the Audit Commission. The two returns not certified by the relevant deadline were the Housing and Council Tax Benefit subsidy claim and the National non-domestic rates return.

For the Housing and Council Tax Benefit subsidy claim, further work was required in order to agree the qualification letter with the Council which resulted in the delay in certifying the claim. The National non-domestic rates return was certified after the deadline as a result of additional work required on a manual adjustment made by the Council to prior year figures which was not covered by the Certification Instructions. In the latter case an extension was granted by the CLG and this revised deadline was met.

### **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.

**Table Three: Hourly rates for certifying claims and returns for 2010/11**

| Role            | 2010/11 | 2009/10 |
|-----------------|---------|---------|
| Engagement lead | £380    | £380    |
| Manager         | £210    | £210    |
| Senior auditor  | £135    | £135    |
| Other staff     | £105    | £105    |

Our fee for certification work at the Council in 2010/11 was £105,692, compared to £183,475 for 2009/10. Our fee is lower than the estimate of £178,750 included in our July 2011 grants certification plan, which was a supporting document to our Progress Report to the Corporate Committee in September 2011. This is largely due to the improvements noted in the preparation of the Housing and Council Tax Benefit subsidy claim, and the fact that the DWP has confirmed no follow-up work is required. Details of our fee by claim and return and how this compares to last year are included at appendix A.

## Significant issues

### Housing and council tax benefit scheme

This is the highest value grant claim that we certify. In April the Department for Work and Pensions (DWP) requested that further work be completed on the 2009/10 Housing and Council Tax Benefit subsidy claim. We undertook this work in June and July and the DWP has subsequently confirmed that the final adjustment to the claim is £8k.

The claim was qualified in 2010/11, the main reason being an error identified in that the assessment of a claimant's Child Tax Credit and Working Tax Credit had not been updated and this resulted in an overpayment of benefit. We completed further testing in this area in order to quantify the error further, and the DWP has subsequently confirmed that there is no impact on the subsidy claimed. The final audited claim was submitted on 30 December 2011, after the deadline but 2 months earlier than in the previous year.

The Council's arrangements for preparing the 2010/11 claim have improved considerably. The Council has introduced enhanced quality control procedures within the Benefits and Local Taxation Team, as well as instigating Internal Audit carrying out in-year reviews of benefit assessments. Compared to previous years the level of errors identified had reduced significantly, and the Council should be commended for the improvements noted.

### National non-domestic rates return (NNDR)

This is the second highest value grant that we certify. We completed the majority of the work required on the return by the certification deadline. The Authority included manual adjustments of £7.5m on the return relating to prior years and we were granted an extension by the Department for Communities and Local Government (CLG) in order to complete the work required to verify this adjustment was valid. The Certification Instruction did not include specific guidance on the level of certification work required in order for us to do this. The procedures and results of the work we carried out to verify this adjustment were reported to the CLG in a letter. In addition the work we carried out highlighted some errors which we amended prior to certification of the claim and the return was not qualified. The CLG has accepted the amendment which resulted in the amount due to the Council from the CLG reducing by £10k.

## Acknowledgements

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

**Grant Thornton UK LLP**  
**January 2012**

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

| Claim or return  | Value (£)   | Certificate                        | Summary   | Fee 2010/11 | Fee 2009/10 |
|--|-------------|------------------------------------|---|-------------|-------------|
| Housing and council tax benefit scheme (BEN01)           | 289,577,498 | Qualified                          | The main reason for the qualification was errors identified in the assessment of a claimant's Child Tax Credit and Working Tax Credit. These had not been updated and this resulted in an overpayment of benefit. We completed further testing in this area in order to quantify the error and the DWP has confirmed that no amendment is required as there was no impact on subsidy. | 66,072      | 126,031*    |
| Pooling of housing capital receipts (CFB06)              | 1,949,800   | Without amendment or qualification | Return fairly stated and in accordance with terms and conditions, with no amendments or qualifications required.  | 6,123       | 4,323       |
| General Sure Start (EYC02)                               | 17,165,210  | Amended                            | The claim was amended for two invoices which relate to expenditure that was not incurred in the valid time period for 2010/11 expenditure to be included on the claim.  | 3,865       | 5,508       |
| Housing Revenue Account subsidy (HOU01)                  | 15,606,998  | Amended                            | The claim was amended to include the audited amounts for debt as the unaudited working papers were used in preparing the claim.   | 2,335       | 4,505       |
| Housing Revenue Account finance base data return (HOU02) | N/A         | Amended                            | For the return to be certified the following amendments were made: <ul style="list-style-type: none"> <li>• amendment due to income relating to disposals made in 2011/12 not being pro-rated to reflect the number of weeks the property was held by the Council</li> <li>• transposition error noted from certification work completed.</li> </ul>                                  | 7,776       | 9,025       |
| Disabled facilities (HOU21)                              | 836,000     | Without amendment or qualification | Return fairly stated and in accordance with terms and conditions, with no amendments or qualifications required.  | 2,080       | 5,388       |



| Claim or return  | Value (£)  | Certificate                        | Summary   | Fee 2010/11    | Fee 2009/10    |
|--|------------|------------------------------------|---|----------------|----------------|
| National non-domestic rates return (LA01)  | 46,994,480 | Amended                            | The claim was amended as a result of errors identified as part of our testing of the manual adjustment as noted in significant issues above.  | 10,779         | 7,154          |
| Teachers' pensions return (PEN05)  | 17,360,341 | Without amendment or qualification | Return fairly stated and in accordance with terms and conditions, with no amendments or qualifications required.                              | 3,760          | 6,520          |
| New deal for communities (RG03)  | 275,000    | Amended                            | Amendments were required to the claim as a result of the incorrect version of the form used to prepare the claim submitted for certification. | 2,298          | 2,905          |
| Single Programme (RG31)  | 140,000    | Without amendment or qualification | Return fairly stated and in accordance with terms and conditions, with no amendments or qualifications required.                              | 1,503          | 7,616**        |
| Sustained Commissioning Pilot - North sub Region (tri-partite agreement between the Council, Grant Thornton and the LDA) | 1,179,099  | Without amendment or qualification | Return fairly stated and in accordance with terms and conditions, with no amendments or qualifications required.                              | 4,700 †        | N/A            |
| Planning administration and reporting  | N/A        | N/A                                |   | 4,500          | 4,500          |
| <b>Total</b>   |            |                                    |   | <b>115,791</b> | <b>183,475</b> |

\* Includes fees for follow-up work required by the DWP.

\*\* In 2009/10 four Single Programme claims were certified, as opposed to only one in 2010/11.

† At time of writing the follow-up stage of the certification of this claim was outstanding. We will be able to update the Corporate Committee as to the completion of this work on 23<sup>rd</sup> January 2012.

## B Action Plan

| Claim or return                        | Recommendation  | Priority | Management response & implementation details   |
|--|---|----------|--|
| Housing and council tax benefit scheme | <p>The main reason for this claim being qualified in 2010/11 was the assessment of a claimant's Child Tax Credit and Working Tax Credit not having been updated. This resulted in an overpayment of benefit. During 2011/12, the DWP introduced a new system, ATLAS, whereby tax credits data has been automatically downloaded into the Council's benefits system since 1st November 2011. This removes the risk of this error occurring for part of the 2011/12 claim year.</p> <p>To avoid assessment errors overall in the future, the Council should continue to ensure provision of training to officers and review procedures as appropriate. This will avoid overpayments being made to claimants and the possible negative impact on subsidy that would result. It will also help to ensure that the claim is not qualified again in the future.</p> | Medium   | <p>Agreed as on-going</p> <p>Paul Ellicott – Head of Benefits &amp; Local Taxation</p> |
| Various                                | The Council should ensure that there continues to be adequate review of all claims and returns in order to minimise the risk of amendments being required.  | Medium   | <p>Agreed as on-going</p> <p>Corporate Finance - Heads of Finance</p>                  |



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