



London Borough of Haringey

Certification work report 2011/12

January 2013

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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 have certified 5 claims and returns for the financial year 2011/12 relating to expenditure of £395 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 and all were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	<p>Overall the Council has continued to improve its performance and there are no significant matters arising from our certification of claims and returns.</p> <p>As in the previous year, the Housing and Council Tax benefits scheme (BEN01) claim was qualified as a result of a recurring error in relation to the treatment of Child Tax Credits and Working Tax Credits. However unlike previous years the claim was certified before the deadline.</p> <p>Two claims were amended, these are the Teachers' pension return (PEN05) and Housing Revenue Account Subsidy (HOU01). The PEN05 was amended to exclude an academy school that was incorrectly included. The HOU01 was amended to correct calculation errors identified as part of the certification work.</p>
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.7 We have made one recommendation to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.8 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

- 1.9 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

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2 Results of our certification work

Key messages

- 2.1 We have certified five claims and returns for the financial year 2011/12 relating to expenditure of £395 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.	%	
Total claims/returns		5		11		
Number of claims submitted on time	100%	5	100	11	11	→
Number of claims certified on time	100%	5	100	9	82	↑
Number of claims certified with amendment	0%	2	40	5	45	↑
Number of claims certified with qualification	0%	1	20	1	9	↓

- 2.3 This analysis of performance shows that:
- This demonstrates that overall the Council's performance in preparing claims and returns has more or less remained the same as in 2010/11. Only one claim was qualified this year, the Housing and Council Tax Benefit subsidy claim, which is consistent with the previous year
 - Fewer claims were amended in 2011/12, two against five in 2010/11. However due to the lower number of claims submitted overall this is, in effect relatively consistent with the prior year
 - All five claims were certified within the relevant deadlines set by the Audit Commission, which is an improvement on previous years.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.

- 2.5 We charged a total fee of £86,896 against an indicative budget of £90,500 for the certification of claims and returns in 2011-12. 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 and supporting working papers

- 2.7 The Council has a grants co-ordinator, based in the Finance Directorate, who is our key point of contact when making arrangements to undertake our certification work, and liaises with key officers on all grants claims and returns. We send the grants co-ordinator the monthly Audit Commission's Certification Instruction index which gives an up to date list of the claims and returns that need to be submitted by each Council and by what date.
- 2.8 The supporting working papers provided for the majority of claims and returns were good and well referenced. This has enabled the certifications to be completed within the deadlines.

Certification of Housing and Council Tax Benefit Scheme

- 2.9 Testing of the Council Tax Benefit identified a recurring error in relation to the treatment of Child Tax Credits and Working Tax Credits. It was acknowledged by the Council in 2010/11 that there were weaknesses in the treatment of Tax Credits and this resulted in under and over entitlement of benefit. The magnitude and impact of the errors identified has been reduced since the prior year. The error has been mitigated in part by the introduction of the 'Automated Transfer to Local Authority Systems' (ATLAS). The implementation of ATLAS only took effect part way through the year and therefore manual errors were still made by benefit assessors in the first half of the year resulting in overpayment of benefit. The magnitude and impact of the errors identified did not have any impact on subsidy due to the Council.

2012/13 Fee

- 2.10 The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £52,950.
- 2.11 The fee assumes that there will be no qualification letters issued and there will be no instances of 40 plus testing on the housing and council tax benefits scheme claim.

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	£380	£380
Manager	£210	£210
Senior auditor	£135	£135
Other staff	£105	£105

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	301,544,556	No	N/A	Qualified without amendment	66,072	64,013	Slight decrease as less additional work required on errors identified compared to previous years.
National non-domestic rates return	58,432,895	No	N/A	No	10,779	5,650	Additional work required in 2010/11 due to manual adjustment made to the claim. No such issues for 2011/12.
Teachers' pensions return	16,730,242	Yes	(17,659)	Amended	3,760	5,125	Additional time to verify amendment and review of additional information requested from Teachers Pension.
Pooling of housing capital receipts	5,227,881	No	N/A	No	6,123	5,073	Slight decrease due to efficiencies.
Housing Revenue Account subsidy	,12,678,505	Yes	56,139	Amended	2,335	4,915	Additional time taken to agree capital financing to the working papers and work completed during the accounts audit.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Reporting to those charged with Governance	N/A	N/A	N/A	N/A	4,500	2,120	
Total	394,614,079		38,480		93,569	86,896	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
<p>Housing and council tax benefit scheme</p>	<p>The main reason for this claim being qualified in 2011/12 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>	<p>M</p>	<p>Agreed as on-going</p> <p>Paul Ellicott – Head of Benefits and Local Taxation and Customer Services</p>

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