



## **London Borough of Barnet**

Certification work report 2011/12

November 2012

# Contents

<b>1</b>	<b>Executive Summary</b>	<b>1</b>
<b>2</b>	<b>Results of our certification work</b>	<b>3</b>

## **Appendices**

<b>A</b>	<b>Approach and context to certification</b>	<b>5</b>
<b>B</b>	<b>Details of claims and returns certified for 2011-12</b>	<b>7</b>
<b>C</b>	<b>Action plan</b>	<b>8</b>

# 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 6 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 to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.

### The way forward

- 1.8 We have made some recommendations to address observations arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate claims for certification. This will reduce the risk of claims being amended and additional audit fees being incurred.

### 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**

**November 2012**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified 6 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	Best practice	Achievement in 2011-12		Achievement in 2010-11	
		No.	%	No.	%
<b>Total claims/returns</b>		6		10	
Number of claims submitted on time	100%	6	100	10	100
Number of claims certified on time	100%	6	100	10	100
Number of claims certified with amendment	0%	4	67	5	50
Number of claims certified with qualification	0%	1	17	1	10

- 2.3 This analysis of performance shows that:
- The number of claims requiring certification has decreased.
  - All claims were prepared by the Council on certified in advance of the deadlines.
  - The number of claims requiring amendment has fallen but the proportion has increased due to the lower number of claims certified.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified 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 £78,434 for the certification of claims and returns in 2011/12. Details of fees charged for specific claims and returns are included at Appendix B.

## **Findings**

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

### **Certification of Housing benefits**

- 2.8 Our sample testing identified one case where benefit had been underpaid to the claimant due to duplication of a deduction. The certification instructions issued by the Audit Commission state that where an underpayment of benefit is identified, the claim should be qualified as the Council cannot claim subsidy for benefit that has not been awarded. It is on this basis that the Council's claim has been qualified in 2011/12.
- 2.9 In addition to the underpayment identified above we identified some cases which had been misclassified on the claim form. We worked with officers to quantify the value of the misclassification and agree an amendment prior to certification.
- 2.10 The claim has received a technical qualification based on an underpayment of £618, however, for this type of error our auditor instructions specify that no further testing is required. The nature of the qualification has not impacted on the value of the claim or the level of subsidy received by the Council and the Council's performance in compiling the claim was stronger than last year.

### **Certification of other claims**

- 2.11 Where we have identified areas for improvement at the Council these have been detailed in Appendix C.

## 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 use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

## B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)
Housing and council tax benefit scheme	269,356,908	Y	7,698	Y	49,160	53,050
National non-domestic rates return	105,974,064	N	-	N	5,992	5,598
Teachers' pensions return	18,181,563	Y	no impact on claim value	N	8,393	4,653
HRA subsidy	11,871,423	Y	101,256	N	3,348	3,918
Pooling of capital receipts	1,333,075	N	-	N	4,600	4,495
Single programme LDA grant	101,875	Y	82,375	N	n/a	4,600
Other claims not subject to certification in 2011/12	-	-	-	-	20,040	-
Reporting to those charged with Governance	-	-	-	-	2,120	2,120
<b>Total</b>	<b>394,947,485</b>		<b>191,329</b>		<b>93,653</b>	<b>78,434</b>

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
HRA subsidy	<p>The HOU01 claim required amendment in 2011/12, 2010/11 and 2009/10. The claim requires inclusion of figures derived from multiple sources. It is recommend that the Council ensure that the claim compiler is able to gain assurance over the accuracy of the figures being submitted and ensure compliance with the claim requirements.</p>	L	<p><b>The Council will ensure that the claim compiler gains assurance over the figures submitted and adequately reviews the work papers prior to submission of the claim to ensure compliance.</b></p> <p><b>Immediate implementation</b></p>
Teachers' pension	<p>As in the previous year there was a time lag in receiving information from the schools who have their own payroll systems. This relates specifically to payslip information which is required for sample testing of the figures included in the claim. The Council should ensure that schools running their own payroll systems are fully briefed about the timing of the audit and ensure that requests for information from audit are obtained promptly.</p>	L	<p><b>The Council will ensure that schools with their own payroll systems provide the required information in a timely manner. This will allow the teachers pension return and working papers to be available within the required timescales for the audit.</b></p> <p><b>Immediate implementation</b></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.

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