



## **Tonbridge & Malling 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 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 2 claims and returns for the financial year 2011/12 relating to expenditure of £90.4 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 Work on the NNDR 3 return was completed in September 2012 by Audit Commission staff. Work on the Housing Benefit and Council Tax Benefit claim commenced in September 2012 and was completed in November 2012 following the transfer of Audit Commission staff to Grant Thornton on 1 November 2012.
- 1.7 A summary of all claims and returns subject to certification and details of certification fees are 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 Messages
Submission and certification	All draft claims and final audited claims were submitted within the required government department deadlines.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	<p><b>NNDR 3 return</b> No amendment was required to the NNDR 3 return.</p> <p><b>Housing and council tax benefit subsidy claim</b> A number of amendments were agreed with officers and actioned prior to certification. The net impact was to increase the amount due to the Council by £8104.</p> <p>Two minor issues were reported to the Department of Work and Pensions (DWP) through a qualification letter. This letter also summarised the current position on the adjustment required for non-awarding of single person discounts in previous years.</p>
Supporting working papers	<p><b>NNDR 3 return</b> Clear working paper trails were provided to support the return.</p> <p><b>Housing and council tax benefit subsidy claim</b> Clear working papers were provided to support totals for the draft claim. Additional working papers were provided to support detailed audit testing, including audit review of a sample of individual claims.</p>

### The way forward

- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate and timely claims for certification.

### Acknowledgements

- 1.10 We would like to take this opportunity to thank Council officers for their assistance and co-operation during our 2011/12 certification work. In particular, we would like to thank the staff involved in supporting our work on the housing and council tax benefit subsidy claim. Significant input is required from benefits officers to assist with testing of individual cases and other work, and we would like to thank the lead officers involved for their help and assistance.

Grant Thornton UK LLP

January 2013

## 2 Results of our certification work

### Key messages

- 2.1 We have certified two claims and returns for the financial year 2011/12 relating to expenditure of £90.4 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	
		No.	%	No.	%
<b>Total claims/returns</b>		2		3	
Number of claims submitted on time	100%	2	100	3	100
Number of claims certified on time	100%	2	100	3	100
Number of claims certified with amendment	0%	1	50	1	33
Number of claims certified with qualification	0%	1	50	1	33

- 2.3 This analysis of performance shows that:
- the Council's performance is comparable to the previous year.
  - the Council submitted all claims and returns on time, and all claims and returns were certified within the deadlines set by the Audit Commission.
- 2.4 Further details on the certification of individual claims and returns are included at Appendix B. Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below. Recommendations are included in the action plan at Appendix C.
- 2.5 We charged a total fee of £14,755 for the certification of claims and returns in 2011-12. In addition the Audit Commission charged a total fee of £32,368 for work completed prior to

1 November 2012. Details of the fees charged for individual claims and returns are included at Appendix B.

### Significant findings

- 2.6 The following significant findings were identified in relation to individual grant claims and returns.

#### Housing benefit and council tax benefit subsidy claim

- 2.7 The Audit Commission CI requires testing of all 2011/12 transactions for a sample of benefit cases to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes. If an error is identified which cannot be regarded as an isolated error then testing of additional cases is performed. This additional testing is performed by the Council and for these cases the issue giving rise to the error is tested, not all claim calculations.
- 2.8 Where the error identified from initial testing could occur in only a small number of cases then all of these cases are tested and the overall error is calculated exactly. Where the error could occur in a large number of cases then an additional sample of 40 is tested and an extrapolation performed to calculate the impact on subsidy.
- 2.9 The results from our testing of individual benefit cases are summarised at Exhibit 3.

#### Exhibit Three: Testing of individual housing and council tax benefit cases

Benefit type	Number of cases tested in initial sample	Errors identified from initial testing	Additional cases tested	Errors identified from additional testing
<b>Rent allowances</b>	20	2		
		Error 1	40	3
		Error 2	40	3
<b>Council Tax Benefit</b>	20	5		
		Error 1	40	9
		Errors 2 & 3	40	11
		Error 4	40	0
		Error 5	40	0
<b>Non HRA rent rebates</b>	10	0	0	

- 2.10 Of the errors identified 10 had no impact on subsidy. A further 6 resulted in underpayment of benefit. Underpayment errors do not affect the claim as if benefit has not been paid then there is no eligibility for subsidy. For the remaining cases the impact on the subsidy claim, including extrapolation calculations, was agreed with officers and amendments made prior to audit certification. The net impact was to increase the amount due to the Council by £8104.
- 2.11 Testing of non HRA rent rebates identified that a number of amounts had been incorrectly recorded as back-dated expenditure. The issue had no impact on subsidy but the claim was amended prior to certification.
- 2.12 Officers should consider the nature of the errors identified from audit testing and identify any training, supervisory or systems issues which might help reduce errors in future years.
- 2.13 It will be necessary to update individual case records, including for underpayments, in addition to the amendments made to the subsidy claim. We note that the updating of individual case records for errors identified from our 2010/11 testing has not yet taken place. These amendments also need to be actioned.
- 2.14 As required under the Audit Commission CI we reported the following issues in a qualification letter:
- The number of cases where benefit had been underpaid
  - A difference of £1078 on the Council's subsidy system between total expenditure and the total value of payments posted to individual claim records. The Council has used the lower figure to complete the claim.
- 2.15 As reported to the April 2012 Audit Committee, early in 2012 the Council identified that it had overclaimed council tax benefit subsidy in previous years due to the non-award of single person discounts. In March 2012 the Council completed a preliminary review of the relevant cases. Following this review an adjustment to reduce subsidy by £359998 was included in the 2011/12 claim. The Council recognised that this was an initial estimate and that further work would be required before finalising the adjustment.
- 2.16 The Audit Commission as the Council's external auditors reviewed the workings supporting the estimate and on 4 May 2012 wrote to DWP concluding that the Council had:
- adopted an appropriate methodology to identify all cases with a discrepancy requiring further investigation in all subsidy years after 2005/06
  - performed a preliminary review of all individual cases where a discrepancy has been identified
  - in reviewing individual cases, used an appropriate approach to calculate the adjustment required for subsidy purposes based on the work performed to date.
- 2.17 We understand the Council has now performed further work to update the adjustment included in the 2011/12 claim. All amendments to estimated figures will be actioned in the 2012/13 claim year. Any further audit testing will therefore be in respect of the 2012/13 subsidy claim.

**National Non-Domestic Rate return (NNDR 3)**

- 2.18 The 2011/12 NNDR 3 return was certified without qualification. Clear working paper trails were provided to support the return. Our work did not identify any significant reporting issues or areas for improvement.



## 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 that the claim or return is in accordance with the underlying records, or that 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
- 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.

## 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 subsidy scheme	38,762,887	Yes	8,104	Yes	34,200	44,815	The fee for 2011/12 includes work to review the Council's estimated adjustment for the non-award of single person discount in previous years. It also reflects the work associated with errors and amendments arising from 2011/12 audit testing.
National non-domestic rates return	51,638,418	No	N/A	No	1,424	1,528	
Disabled facilities grant	0	N/A	N/A	N/A	666	0	In 2011/12 CLG has not required audit certification of claims for disabled facilities grant.
Reporting to those charged with Governance	N/A	N/A	N/A	N/A	1,043	780	
<b>Total</b>	<b>90,401,305</b>		<b>8,104</b>		<b>37,333</b>	<b>47,123</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and council tax benefit subsidy scheme	Officers should consider the nature of the errors identified from 2011/12 audit testing and identify any training, supervisory or systems issues which might help reduce errors in future years.	M	Errors have been reviewed and no common trends relating to training or system issues identified. Supervisory and checking enhancements will be put in place to reduce the risk of general errors taking place.
Housing and council tax benefit subsidy scheme	Subsidy claim amendments for 2011/12 have been actioned prior to certification. Individual claim records, including for underpayments, also need to be amended to correct errors identified from audit testing.  The updating of individual case records for errors identified from our 2010/11 testing has not yet taken place. These records also need to be amended.	M  M	Individual amendments to be made by 31/03/13.  Individual amendments to be made by 31/03/13.

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