



Grant Thornton

Cheshire East Council

Certification work report 2011/12

January 2012

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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 For the 2011/12 financial year, 4 claims were certified relating to Council expenditure of £247 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 It should be noted that all work reported in this certification report, with the exception of Housing Benefits, was completed by the Audit Commission prior to our appointment as the Council's auditors.
- 1.7 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 for audit and all were certified by the certification deadlines.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	With the exception of the NNDR3 claim, there were no significant errors identified in our certification work. Testing identified an error in the calculation of the losses in collection in the NNDR3 return. As a result, the Council's contribution to the pool increased by £273,437. We issued a qualification letter on the Housing & Council Tax Benefit claim. Backdated awards had not been correctly identified on the Northgate system.
Supporting working papers	Supporting working papers provided for the claims were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 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

- 1.10 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

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2 Results of our certification work

Key messages

- 2.1 Auditors certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £247 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		4		8		
Number of claims submitted on time	100%	4	100	5	62	↑
Number of claims certified on time	100%	4	100	7	87	↑
Number of claims certified with amendment	0%	2	50	5	62	↑
Number of claims certified with qualification	0%	1	25	3	37	↑

- 2.3 This analysis of performance shows that:
- all claims were submitted by the required dates, and all were certified by the audit deadlines.
 - there were fewer claims requiring amendments and qualification in 2011/12.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant 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 £8,150 for the certification of claims and returns in 2011/12. In addition, your previous auditors the Audit Commission, charged a total fee of £46,432

against an indicative budget of £97,994. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

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

Certification of NNDR3

Testing identified an error in the calculation of the losses in collection in the NNDR3 return. As a result, the Council's contribution to the pool increased by £273,437. Losses were also incorrectly calculated in 2010/11. The Council needs to ensure that losses are calculated in line with DCLG guidance.

Certification of Housing & Council Tax Benefits Subsidy

Testing identified a number of normal awards incorrectly classified as backdated awards. The errors related to the incorrect identification of new claims in Northgate system, with the result that the system had treated them as backdated awards. Backdated awards are included on the subsidy claim for information purposes only and have no impact on the level of subsidy claimed. The Council should ensure that training is provided to staff to ensure that backdated awards are correctly identified on the Northgate system.

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	£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 (£)	Comments
Housing and council tax benefit scheme	102,860,334	Yes	-33	Yes	57,328	46,654	£38,504 charged by Audit Practice
National non-domestic rates return	124,991,540	Yes	+273,437	No	4,014	3,683	Charged by Audit Practice
Teachers' pensions return	17,813,668	No	N/A	No	2,747	2,621	Charged by Audit Practice
Local Transport Plan	943,379	No	N/A	No	3,001	679	Charged by Audit Practice
Reporting to those charged with Governance						945	Charged by Audit Practice
Total	246,608,921		+273,404		67,090	54,582	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
NNDR3	Calculate losses in collection in accordance with DCLG guidance.	H	Processes now in place to ensure no repetition and that losses are calculated in accordance with guidance.
Housing & Council Tax Benefits	Provide training to staff to ensure backdated awards are correctly identified.	M	Initial instructions provided to all staff on 4th October 2012, clarifying the checks which needed to be undertaken on the claims. This was followed up by discussions at the Assessment Team meetings on 25th & 26th October 2012 to ensure all staff fully understood the procedures to be followed. Work underway to check all claims processed in 2012/13.

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