

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

3 February 2012

Report of: Strategic Director (Corporate Services)

Title: Grant Thornton Certification Work Report 2010-11

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

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RECOMMENDATION

The Audit Committee note, and comment as appropriate, on Grant Thornton's report.

Summary

In addition to its audit and inspection responsibilities, Grant Thornton, the Council's external auditor, undertake certification work on grant claims and returns, acting as an agent of the Audit Commission. 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.

The Audit Commission requires auditors to report annually on the results of certification work to those charged with governance, in order to highlight the errors, adjustments and qualifications arising in claims and returns. This report summarises the outcomes of the certification work undertaken for 2010-11.

Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant

Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

Consultation

Internal: Grant Thornton consulted with Officers of the before finalising the report.

External: not applicable.

1 Introduction

1.1 Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As Bristol City's external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.

1.2 Grant Thornton, responsible for the City Council's certification of claims and returns will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable.

Risk Assessment

Not as a result of this report.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resource Implications

None arising from this report.

Appendices:

Appendix 1: Grant Thornton's Certification Work Report 2010-11

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Bristol City Council

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 Bristol City Council's (the Council) external auditors, Grant Thornton UK LLP 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 eight claims and returns for the Council, which amounted to £435,823,375. This represents both funding claimed by the Council and payments made 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 (63%)	5 (56%)	↑
Amended	2 (25%)	1 (11%)	↓
Qualified	1 (12%)	3 (33%)	↑
Total	8	9	

This demonstrates that overall the Council's performance in preparing claims and returns has improved since 2009-10. The number of claim and returns requiring Qualification has declined, however there has been a deterioration in the number requiring amendment compared to 2009-10.

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 the table below

Table Two: Performance against deadlines

Deadline	2010-11	2009-10	Direction of travel
Submitted by deadline	5 (63%)	5 (56%)	↑
Certified by deadline	8 (100%)	9 (100%)	↔

There continues to be scope for the Council to improve the submission of claims and returns within the relevant deadline set by the grant paying body. We certified all of the claims and returns within the relevant deadlines set by the Audit Commission.

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	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

Our fee for certification work at the Council in 2010-11 was £44,783, compared to £52,890 for 2009-10. Our fee is lower than our estimate of £55,000 included in our audit fee letter presented to, and approved by, the Audit Committee in April 2011. 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

During our certification work, the only claim in which qualification issues were identified was the housing and council tax benefit subsidy claim. For this claim, we are required to test a random sample of 20 cases for each of the four benefit types awarded by the Council. If we identify errors in these initial samples, further work is required to be undertaken.

From April 2008, benefit entitlement for private tenants is assessed with reference to the Local Housing Allowance (LHA). Our initial testing of rent allowance expenditure identified two errors in relation to the application of the LHA:

- we identified one case for which LHA rules should not have been applied. However, testing of an additional 40 cases did not identify any further errors and we were therefore able to conclude that the initial error was isolated.
- we identified one case for which the incorrect LHA rate had been applied leading to an underpayment of benefit of £81. Testing of an additional 40 cases was performed to identify whether any overpayments had been made as a result of similar errors. This did not identify any overpayments but did identify one further case for which the incorrect LHA rate had been applied leading to underpaid benefit. Whilst, this was required to be reported in a qualification letter, the effect has not been extrapolated as there is no eligibility to subsidy for benefit which has not been paid.

In addition, errors were identified in relation to rent rebate expenditure. However, as further testing allowed us to either conclude that the errors were isolated or to quantify the full extent of the errors these did not result in qualification.

Acknowledgements

We would like to take this opportunity to thank the Council's 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	£210,350,016	Qualified	We certified that the claim was fairly stated and in accordance with terms and conditions, except for qualification in relation to the incorrect application of the local housing allowance to rent allowance housing benefit cases, as detailed in the significant issues section of the report.	£21,883	£24,335
Pooling of housing capital receipts	£5,712,205	Amended	We certified that the base data return was fairly stated and in accordance with terms and conditions following amendments to the return to ensure entries agreed to supporting information and were arithmetically correct.	£3,388	£2,590
Sure start, early years and childcare and Aiming high for disabled children grant	£18,633,346	Without qualification	We certified that the return was fairly stated and in accordance with terms and conditions.	£3,430	£3,042
HRA subsidy	(£5,618,463)	Without qualification	We certified that the return was fairly stated and in accordance with terms and conditions.	£1,988	£3,255

Claim or return	Value (£)	Certificate	Summary	Fee 2010-11	Fee 2009-10
HRA finance base data return	Not applicable	Amended	<p>We certified that the base data return was fairly stated and in accordance with terms and conditions, following amendment in relation to the following:</p> <ul style="list-style-type: none"> the Council had made a minor transcription error relating to total income receivable in 2011-2012 from HRA rents; and the Council disclosed estimated principal outstanding at 1 April 2012 on HRA mortgages without excluding estimated payments to March 2012. 	£4,033	£6,917
Disabled facilities	£1,041,000	Without qualification	We certified that the return was fairly stated and in accordance with terms and conditions.	£2,610	£1,149
National non-domestic rates return	£174,931,515	Without qualification	We certified that the return was fairly stated and in accordance with terms and conditions.	£3,445	£4,019
Teachers' pensions return	£19,536,830	Without qualification	We certified that the return was fairly stated and in accordance with terms and conditions.	£2,971	£2,730
Cost of reporting to those charged with governance	N/A	N/A	The cost of reporting to those charged with governance on the results of certification work should be charged as certification work under section 28 of the Audit Commission Act 1998 at cost.	£1,035	£1,080

B Action Plan

Claim or return	Recommendation	Priority	Management response & implementation details
General	The original signed version of each claim or return should be received by Grant Thornton's Bristol office by the deadline specified by the grant paying body.	High	<p>Finance Business Partners will be asked to remind staff completing claims/returns of this requirement.</p> <p>Responsible officer - Service Director, Finance</p> <p>Implementation date – with immediate effect</p>
Housing and council tax benefits scheme	Staff processing benefit claims under Local Housing Allowance rules should receive update training enabling them to ensure accurately processed.	Medium	<p>All staff processing benefit claims under Local Housing Allowance rules have now received update training.</p> <p>Annual refresher training has been programmed into the Training Plan for the Benefit Service</p> <p>Responsible officer – Benefit Manager, ICS</p> <p>Implementation date - ongoing</p>



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