

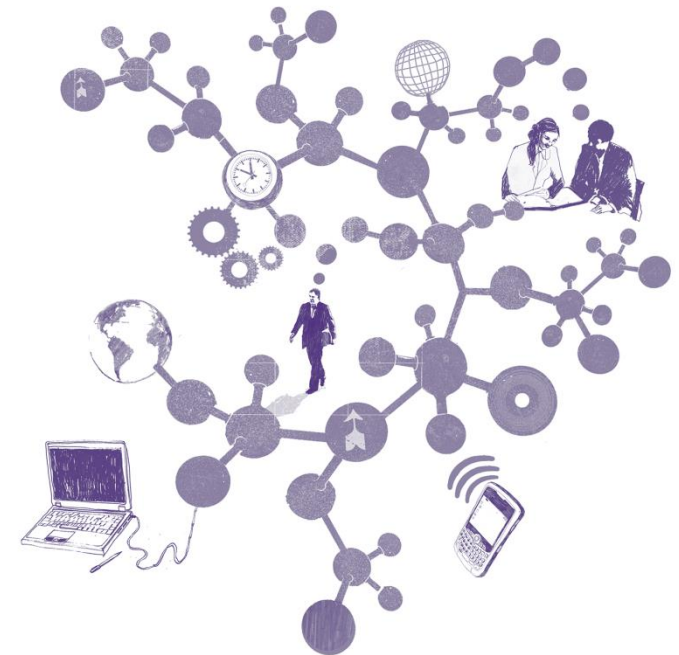
Certification report 2012/13 for Cheltenham Borough Council

Year ended 31 March 2013

13th December 2013

Peter Barber
Engagement Lead
T 01173 057 897
E Peter.A.Barber@uk.gt.com

Peter Smith
Audit Manager
T 01173 057 832
E Peter.W.Smith@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Results of our certification work	6
Appendices	
A Details of claims and returns certified for 2012/13	10
B Action plan	11

Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by Cheltenham Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified three claims and returns for the financial year 2012/13 relating to expenditure of £92.9 million.

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

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.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in September 2013.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All 3 claims/returns were received from the Council before the submission deadline All 3 claims/returns were certified before the certification deadline	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The NNDR Claim was certified without amendment or qualification The Housing Benefit Claim was amended by £943, and a qualification letter was submitted to the DWP The Pooling of Housing Capital receipts return was amended by £18,750	●
Supporting working papers	The working papers supporting NNDR and Housing Benefits were of a good quality Improvements can be made to the Housing Pooled return working papers. See recommendations in Appendix B	●

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

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

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2013

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified three claims and returns for the financial year 2012/13 relating to expenditure of £92.9 million.

The Council's performance in preparing claims and returns is summarised below:

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	3	100	4	100	↔
Claims certified on time	100%	3	100	4	100	↔
Claims certified without amendment	100%	1	33.3	4	100	↓
Claims certified without qualification	100%	2	66.6	3	75	↓

This analysis of performance shows that:

- One claim (Housing Benefits) was qualified in 2012/13. It is not unusual for this to be qualified, due to the complexity of the return and the requirement of how auditors report issues identified. The number of issues identified has increased from one issue in 2011/12 to five in 2012/13. All of the errors identified were one off errors identified from the initial testing undertaken. This indicates that there are no significant issue with the payment of Housing Benefits to claimants. At the time of preparing this report the DWP have not asked for further clarification or additional work to be undertaken on the issues reported.
- As can be seen on Appendix A amendments were made to both the Housing Benefit claim and the Pooling of Housing Capital Receipts return for 2012/13, although these were not significant compared to the overall value of the returns. The amendment to the Pooling return increased the money payable to the council. Neither amendment raised concerns that the council has ineffective processes for recording or monitoring grant payments.

Details of the certification of all claims and returns are included at Appendix A.

Results of our certification work cont

Significant findings

Our work has not identified significant issues with the management arrangements and certification of individual grant claims and returns.

However we have made recommendations to further improve arrangements in respect of two of the claims:

- **Housing Benefits**

- Implement a process to check allocation of subsidy to Non HRA cases
- Investigate the reason why CIVICA system understated subsidy by not correctly offsetting under and overpayments

- **Pooling of Housing Capital Receipts**

- Provide the supporting evidence of all HRA sales in the year as part of the working paper pack which is evidenced as reconciled to the financial ledger
- Include all supporting working papers in the working paper pack, which are reconciled to the return.
- Include evidence that the claim has been reviewed and that all working papers are included

Recommendations for improvement are included in the action plan at Appendix B

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £12,750.

Fee variations are required to be approved by the Audit Commission and discussed and agreed with the client. A variation would only be considered appropriate by the Audit Commission if it was due to additional work being required to be undertaken.

Two fee variations have been requested in respect for the 2012/13 certification work i.e.

- A variation in respect of the Housing Pooled Capital Receipts return, as the current year audit required a full audit (Parts A and B testing). In 2010/11 only a high level review was required (Part A testing).
- A variation in respect of the Housing Benefit claim, as the current year required 5 additional 40+ samples (153 cases) to be tested due to the issues raised. The additional work is required by the audit approach to Housing Benefits and was necessary as a result of errors identified in our initial samples. In 2011/12 only 1 additional sample was required.

The fee variation in respect of Housing Pooled Capital receipts of £692 was approved by the Audit Commission, and officers have agreed to pay the additional fee.

We are currently in discussions with officers over the proposed fee variation in respect of the Housing Benefit claim

The final fee variation for certification of claims and returns will be agreed with officers and then will need to be approved by the Audit Commission before any additional charge is billed..

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment	Qualified?
Housing Benefits Subsidy claim	£40,255,989	Yes	£943	Yes
National Non Domestic Rates claim	£51,217,310	No	No	No
Pooling of Housing Capital Receipts return	£1,382,546	Yes	(£18,750)	No

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Implement a process to check allocation of subsidy to Non HRA cases.	Medium	Agreed to check every Non HRA claim prior to completion of subsidy claim	Year end 2013/14 Paul Aldridge
2	Investigate the reason why the CIVICA system understated subsidy by not correctly offsetting under and overpayments	Medium	Agreed to refer claim to CIVICA as a subsidy fault and await a response	December 2013 Paul Aldridge
3	Provide the supporting evidence of all HRA sales in the year as part of the working paper pack which is evidenced as reconciled to the Ledger	Medium	All emails regarding RTB sales are now being saved as supporting evidence. The spreadsheet supplied by One Legal will also be used as a supporting document for each quarter return and the final year end return.	August 2013 Andrew Sherbourne & Robert Dagger
4	Include all supporting working papers in the working paper pack, which are all reconciled to the return.	Medium	Agreed – to be copied from the on-going file to the year end file	Year end 2013/14 Andrew Sherbourne & Robert Dagger
5	Include evidence that the claim has been reviewed and that all working papers are included	Low	Agreed- each quarter claims will be signed off by the person completing the return and certifying it.	Year end 2013/14 Andrew Sherbourne & Robert Dagger



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