

Taunton Deane Borough Council

Corporate Governance Committee – 10 March 2014

Grant Thornton – Certification of Grant Claims Report

Report of the Director – Operations (Shirlene Adam)

(This matter is the responsibility of the Leader of the Council, Cllr John Williams)

1. Executive Summary

This report introduces the Certification of Claims and Returns report 2012/13 – prepared by our external auditors, (and set out in an Appendix to this report).

The report, which will be presented by our External Auditors, summarises their findings from their 2012/13 review work.

1. Background

- 1.1 Our external auditors, Grant Thornton has finalised its review of the Councils arrangements to prepare grant claims.
- 1.2 Their full report, along with the detailed recommendations is set out in Appendix 1.

2. Financial Issues / Comments

- 2.1 The claims reviewed by the Audit Commission for 2012/13 related to expenditure totalling £79m. This is clearly a significant financial matter for the authority and we must make sure that proper arrangements are in place to meet the “conditions” of the grants.
- 2.2 The report highlights several areas where improvements can be made and the action plan reflects this. The action plan will be monitored to ensure the issues are progressed.

3. Legal Comments

There are no legal implications from this report.

4. Links to Corporate Aims

No direct implications.

5. Environmental and Community Safety Implications

No direct implications.

6. Equalities Impact

No implications.

7. Risk Management

Any risks identified will feed in to the corporate risk management process.

8. Partnership Implications

The Director – Operations and the Internal Audit Team (SWAP – South West Audit Partnership) will take the findings of this report into account when identifying the areas of risk to be audited next year.

9. Recommendation

Members are requested to note the Certification of Claims and Returns report from the Councils External Auditors.

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Certification report 2012/13 for Taunton Deane Borough Council

Year ended 31 March 2013

December 2013

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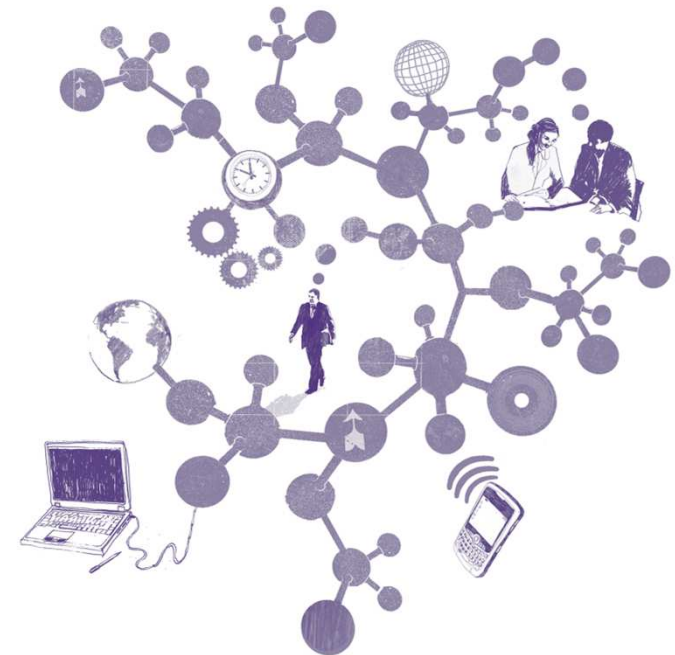
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Section 1: Executive summary

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 Taunton Deane 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 £79 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 on 23rd 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 audit certification deadlines were achieved but the pre-audit submission of the NNDR3 return was a month late.	AMBER
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	All three forms were amended and two of the three, National Non-Domestic Rates return and the Housing and Council Tax claim were subject to qualification for a variety of issues.	AMBER
Supporting working papers	There was one issue with supporting documentation in the National Domestic Rates claim where a report was not available to support one of the figures.	AMBER

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's officers in Finance and Revenues and Benefits 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 £79 million.

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

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		RAG Rating
		No.	%	No.	%	
Claims submitted by the Council on time	100%	2	67	4	100	amber
Claims certified without amendment	100%	0	0	1	25	amber
Claims certified without qualification	100%	1	33	3	75	amber

This analysis of performance shows that:

- the Council submitted the NNDR return for audit on 29 July. The deadline is 28 June. The audited return was submitted to the Department for Communities and Local Government (DCLG) before the deadline.
- the number of claims and returns subject to qualification has increased
- although all three of the Council's claims and returns were corrected during the audit, the amendments were not significant.

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

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

Housing Benefit and Council Tax Benefit; We issued a qualification letter including the following:

- There were differences of £958 in the reconciliation of benefit granted to benefit paid.
- We identified 13 cases where the Council Tax overpayment had been incorrectly classified, and one case where a Council Tax overpayment had been incorrectly calculated.
- We found an underpaid rent rebate and overpayment of one rent allowance. The Council undertook testing of a further 40 rent rebates and 40 rent allowances. We re-performed 10% of the Council's testing and no additional errors were found.

The rules surrounding the administration of housing benefit and council tax benefit are inherently complicated. Therefore, it is not unusual for errors to be identified and qualification letters issued. Recommendations for improvement are included in the action plan at Appendix B.

National Non Domestic Rates (NNDR) ;

- The supporting documentation was not available for one cell relating to deferrals. We had to report this to the DCLG highlighting the omission. We found a case where transitional relief for prior years had been backdated incorrectly.

Pooling of Capital Receipts Return

- The return was amended during the audit to take into account the changes to the previous year's return.

Results of our certification work

Certification fees

The indicative fee of £13,650 for 2012/13 certification was based on completion of Part A testing for two of the three returns. Additional Part B testing was required this year on both these claims and returns. The Audit Commission has agreed the increase of the indicative fee by £3,404 to £17,054. This is set out in more detail in Appendix C.

Appendices

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

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing and Council Tax Benefit Claim	38,635,204	Yes	0	Yes	<p>The amendments were very minor due to roundings. The issues raised in the qualification letter are below;</p> <ul style="list-style-type: none"> • There were differences of £958 in the reconciliation of benefit granted to benefit paid • There was one case identified in initial testing where benefit was underpaid due to incorrectly including working tax credit in the claimant's income • There was one individual identified as receiving Guaranteed Pension Credit from the DWP when there was no evidence that they did receive this benefit. This led to an overpayment of benefits of £795. • There was also 13 cases identified where the Council Tax overpayment had been incorrectly classified, and one case where a Council Tax overpayment had been incorrectly calculated by £1.24.
National Non-Domestic Rates Return	38,358,379	Yes	75	Yes	<p>The qualification letter was due to a figure for deferrals that could not be agreed to supporting documentation as the Council couldn't run a post-dated report.</p> <p>We found a transitional relief that had been backdated incorrectly. We extended testing by a further 20 cases and did not find any further errors. The contribution to the Pool was reduced by £75.</p>
Housing Capital Pooling Return	2,381,082	Yes	0	No	<p>The amendment related to an opening balance figure but this did not have an effect on the amount to be pooled.</p>

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
	Housing Benefit and Council Tax Benefit Subsidy			
1	The Council should ensure that the benefit granted is reconciled to the benefit paid.	Medium	The Senior Control Officer keeps reports and spreadsheets to confirm benefit granted and benefit paid. Although there was a very small difference we were able to explain and confirm this immediately when requested. In future, we will check reports and spreadsheets quarterly to keep on track with any discrepancies.	Lisa Gallacher System Support & Data Control Officer <i>April 2014</i>
2	The Council should ensure that tax credits are correctly excluded from the income used to calculate the benefits.	Medium	We are using the batch processing facility of ATLAS/ETD more and more and this should help reduce inputting errors. We perform random checks of these cases to ensure there are no errors. Managers also perform quality checks monthly and the systems team have highlighted high risk cells and perform quarterly checks on these.	Mark Antonelli Principal Benefits Officer Simon Doyle Performance Manager <i>Immediate</i>
3	The Council should ensure that all individuals with passported benefits (benefits notified by the Department for Work and Pensions) have their status confirmed to DWP documentation.	Medium	As for point 2	As for point 2
4	The Council should ensure that all staff are aware of how Council Tax Overpayments are classified.	Medium	Council Tax Benefit ceased 1/4/13 and its replacement, Council Tax Support is now a discount and not included in the HB subsidy claim.	No further action

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Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
	National Non Domestic Rates (NNDR)			
5	The Council should ensure that the return is submitted on time and that all supporting documentation is retained at the time the NNDR return is prepared.	Medium	<p>We are confident the backdated TR was a one-off and have provided some re-fresher training to the relevant officers.</p> <p>We will ensure we produce a detailed report of deferral amounts on the same day we produce the extract reports that feed into the NNDR3.</p>	<p>Simon Doyle Performance Manager April 2014</p>
	Pooling of Housing capital receipts			
6	The Council should ensure that audit adjustments from the previous year are correctly reflected in the current year's return.	Medium	This action was completed for the 2012/13 return. The guidelines around Right to Buy are much clearer now under the new scheme and the pooling return is more automated which will ensure the same issue will not happen again.	<p>Principal Accountant Already implemented.</p>

Appendix C: Fees

Claim or return	2011/12 fee (£)	(column x) 2011/12 fee (£) less 40% reduction to compare with 2012/13 fee	2012/13 indicative fee (£) based on 2010/11 fees	(column y) 2012/13 actual fee (£)	Variance year on year (£) = column y minus column x	Explanation for significant variances
Housing benefits subsidy claim and certification report	£27,815	£16,689	£11,810	£11,810	-£4,879	Significant additional work in 2011/12 compared with 2010/11 which was the base year to set 2012/13 certification fees.
National non-domestic rates return	£1,272	£763	£950	£3,310	£2,547	In 2010/11 and 2011/12 we undertook Part A tests only but in 2012/13 we were obliged to undertake Part B tests as well.
Pooling of Housing Capital Receipts	£1,607	£964	£890	£1,934	£970	In 2010/11 and 2011/12 we undertook Part A tests only but in 2012/13 we were obliged to undertake Part B tests as well.
Total	£30,694	£18,416	£13,650	£17,054	-£1,362	The 2012/13 indicative fee is based on 2010/11 actual fees. In 2010/11 the fees for housing benefits subsidy were significantly lower than in 2011/12.

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.



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