



## **Bath & North East Somerset Council**

Certification work report 2011/12

November 2012

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# 1 Executive Summary

## Introduction

- 1.1 The Council's auditors, acting as agents of the Audit Commission, are 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 The Council's auditors for 2011/12 were the Audit Commission's in house Audit Practice. Prior to its closure on 31 October 2012, the Audit Practice certified four claims and returns for the financial year 2011/12 relating to expenditure of £278 million.
- 1.3 We present this report as the Council's new auditors, summarising the work of the previous auditor. This report summarises the external audit 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 The external auditor provides 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 was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of the certification fee is provided at Appendix B. The key messages from the review are summarised in Exhibit One, and set out 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 to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	Qualifications were made to 2 of the 4 claims and relatively minor amendments were made to three claims.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines. There were some issues with supporting documentation for the Land Stabilisation claim, where some records were lost due to flooding damage. This claim related to work covering an extended period, the lost records occurred some ten years ago. The issue was reported in the qualification letter.

#### The way forward

- 1.8 We have not made any recommendations in relation to the administration of grant claims.

#### Acknowledgements

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

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**November 2012**

## 2 Results of our certification work

### Key messages

- 2.1 Four claims and returns for the financial year 2011/12 relating to expenditure of £278 million have been certified.
- 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.	%	
<b>Total claims/returns</b>		4		5		
Number of claims submitted on time	100%	4	100	5	100	→
Number of claims certified on time	100%	4	100	5	100	→
Number of claims certified with amendment	0%	3	75	3	60	↓
Number of claims certified with qualification	0%	2	50	2	40	↑

- 2.3 This analysis of performance shows that:
- The Council is maintaining a good level of performance in relation to the administration of its claims;
  - the audit amendments and qualifications were for relatively minor issues.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Your previous auditors, the Audit Commission, charged a total fee of £46,158 for 2011/12 work. This compares to fees of £37,824 for the certification of claims and returns in 2010/11 and £51,093 in 2009/10. The variation in fees reflects changes in the claims requiring certification, for example the land stabilisation claim which only required certification in 2011/12. Details of fees charged for specific claims and returns are included at Appendix B.

## 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.

<b>Role</b>	<b>2011/12</b>	<b>2010/11</b>
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	60,620,309	YES	4,120 increase	YES	26,854	31,399	
National non-domestic rates return	58,342,250	YES	90,562 decrease	NO	5,012	6,307	
Teachers' pensions return	8,175,379	YES	166 increase	NO	4,648	2,866	
Land Stabilisation	150,489,455	NO	NONE	YES	N/A	5,586	one-off claim
<b>Total</b>	<b>277,627,393</b>		<b>86,276 net decrease</b>		<b>36,514</b>	<b>46,158</b>	

Note in 2010/11 a Sure Start Claim and a Disabled Facilities Claim was also certified.



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