



# Grant certification work plan for Shropshire Council

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**Year ended 31 March 2014**

April 2014

**Grant Patterson**

Engagement lead

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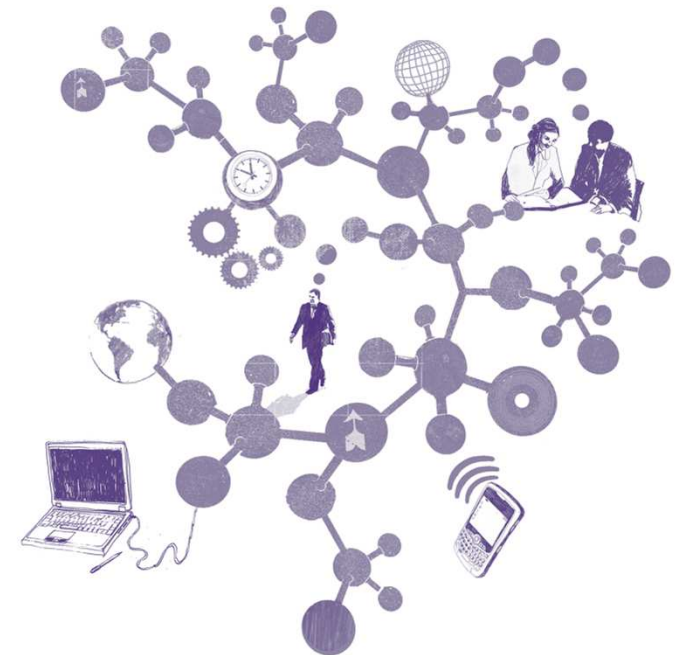
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# Our approach to grant certification work

## Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

## Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013/14 are:

- 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.
- 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.

## Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

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The Council's role is set out in more detail below:

- the Head of Finance, Governance and Assurance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns.
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement.
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies.
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Head of Finance, Governance and Assurance or an officer authorised by written delegated powers.
- the Council should monitor arrangements with any third parties involved in the certification process.

### Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- pooling of housing capital receipts
- national non-domestic rates return
- teachers' pensions return

Due to changes in government funding, there are a number of schemes that either finished in 2012/13, where funding is no longer ring-fenced, or whilst a return is required the work falls outside of the Audit Commission's section 28 certification arrangements.

For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit subsidy (due to the introduction of local council tax support schemes and was previously part of the housing and council tax benefit subsidy claim)
- the national non-domestic rates return (DCLG proposes to take assurance from the financial statements audit), and
- the teachers' pensions return (Teachers' Pensions (TP) continue to require a return but the 2013/14 assurance engagement will be controlled directly by TP and therefore the work falls outside section 28/1998 certification arrangements).

### 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 may impact on the certification fee.

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## Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council is £19,400. This fee includes a reduction of 12 per cent on the previous year's Housing Benefit Subsidy scheme, to reflect the removal of council tax benefit from the scheme. It also excludes any fee for the national non-domestic rates return and teachers' pension return as there are currently no audit requirements under the Audit Commission Act in 2013/14 for these returns.

The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year.
- the Council provides adequate working papers to support each entry in the claim/return.
- the Council's staff are available to deal with our queries in a timely manner, and provide such explanations and supporting evidence necessary to support entries.

In its Work Programmes Scales and Fees 2013/14 publication the Audit Commission notes that it only expects variations from the indicative fee to occur where issues arise that are significantly different from those identified and reflected in the actual 2011/12 fee. Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission. Only fee variations approved by the Commission can be invoiced or refunded to the Council.

The Council has identified all claims and returns requiring certification under the Audit Commission arrangements and this information is incorporated into Appendix A to this plan.

## Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Emily Mayne at the following address:

### Grant Thornton UK LLP

Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

or e-mailed to [emily.j.mayne@uk.gt.com](mailto:emily.j.mayne@uk.gt.com)

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan.
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

## Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt.
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns.
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

## Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14 (In practice will be Friday 28/11/14)	Yes	Claim qualified
Pooling of housing capital receipts (CFB06)	30/06/14	30/09/14	Yes	Claim unqualified

\* Due to the introduction of local council tax support schemes no certification of council tax benefit subsidy is required in 2013/14.

\*\* Indicative deadlines only – final deadlines to be confirmed by the Audit Commission

### Fees and non-audit services

Full details of all fees charged for certification work under section 28 of the Audit Commission Act will be included in our Annual Certification Report.

Where we are asked to undertake work on claims or returns outside of this statutory framework the fees and scope of the work will be subject to a separate engagement letter which will be agreed with the Council. The fee for these non-audit services will be reported to the Audit Committee as those charged with governance and agreed with the Audit Commission if necessary. There has been no such work or fees in the 2013/14 financial year. We are currently undertaking work to enable us to issue a report of factual findings to the directors of the Council in respect of an Annual Statement of Grant Usage for funds received by the Council from the Housing and Communities Agency for the period 1 April 2012 to 31 March 2013.



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