

Derby City Council

Certification work report 2010/11

February 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 Derby City Council's external auditors, Grant Thornton UK LLP undertakes certification work at the Derby City Council (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 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 is not required by the auditor appointed by the Audit Commission, 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.

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 that 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.

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

February 2012

2 Results of our certification work

Key messages

For the financial year 2010/11, we have certified ten claims and returns for the Council, representing income in excess of £200 million. This represents both funding claimed by the Council as well as other financial information.

The status of certified claims and returns is summarised in the table below.

Table One: Year on year comparison of certifications

Performance measure	Target	Target met?	Achievement in 2010-11		Achievement in 2009-10		DoT
			No.	%	No.	%	
Claims certified without amendment or qualification	100%	✗	6	60%	3	30%	↑
Claims amended	0%	✗	1	10%	3	30%	↑
Claims qualified	0%	✗	3	30%	4	40%	↑

This demonstrates that the Council's performance in preparing claims and returns has improved since 2009/10.

The Council's and our performance in meeting deadlines related to the certification of the ten claims and returns is summarised in Table Two.

Table Two: Performance against deadlines

Performance measure	Target	Target met?	Achievement in 2010-11		Achievement in 2009-10		DoT
			No.	%	No.	%	
Claims submitted by Council deadline ¹	100%	✗	8 (of 10)	80%	9 (of 10)	90%	↓
Claims certified by auditor deadline (or within 3 months of receipt)*	100%	✗	9 (of 10)	90%	9 (of 10)	90%	=

The Council's performance against targets in Table One and Two above shows that there still continues to be improvement opportunities across a range of measures and provides a platform for improvement in the future.

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 in the section of the report below entitled 'Significant issues'.

¹ The Department of Communities and Local Government agreed that the Council's New Deal for Communities claim could be submitted after the initial deadline.

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 Table Three 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 is estimated at £103,657, compared to £127,875 for 2009/10. Our fees are not yet finalised because, at the time of writing, one grant, New Deal for Communities, has been concluded but not yet certified. Details of our fee by claim and return and how this compares to last year are included at Appendix A.

Cost of reporting to those charged with governance

The cost of reporting to those charged with governance on the results of certification work is a requirement of section 28 of the Audit Commission Act 1998. This is for time allocated to produce this report and present it to those charged with governance. The cost of this is apportioned over each grant certified and not reported as a separate item. The total cost apportioned across all grants for 2010/11 of reporting to those charged with governance is £1,200. This is consistent with the fee charged in 2009/10, due to there being no significant new issues to report.

Significant issues

Amendments and qualifications, where applicable, are set out at Appendix A on a claim by claim basis. This section of the report provides further detail of any significant issues relating to those amendments and qualifications as well as any other issues identified during the course of our 2010/11 certification work that we consider appropriate to bring to your attention.

Of the claims and returns submitted for certification the most significant findings were in relation to:

- Housing and Council Tax Benefits Scheme
- Housing Finance Base Data Return

Housing and Council Tax Benefits Scheme

Local authorities are responsible for administering housing benefit and council tax benefit schemes claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits.

Following the significant number of errors identified during our work on the 2009/10 claim, and the likely repayment of subsidy to the DWP, the Council invested substantial time in 2010/11 in improving the accuracy of claims going forward. This included the review of over 1,800 cases and has contributed to a reduction in the number of errors found during our 2010/11 certification work.

There are a number of areas where errors continue to be identified, however, and the Council is reviewing these to determine where further training is required prior to our certification of the 2011/12 claim.

We would note that the Council's progress in this area has led to a reduction in certification fees, as set out at Appendix A. We will continue to discuss with officers how further efficiencies can be made in the certification process.

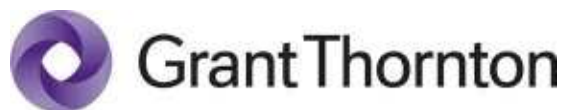
Housing Finance Base Data Return

Housing Revenue Accounts subsidy (HRAS) is payable by the Department of Communities and Local Government (DCLG), to reflect any shortfall/surplus between expenditure and income on the authority's notional Housing Revenue Account (HRA).

The Council adopted the same methodology for preparing the return in 2010/11 as in prior years, whereby HRA property and occupancy details were gathered from Derby Homes, the Council's arm's length management organisation, and from the Academy housing system. As a result, many of the issues noted in 2009/10 reoccurred in our testing in 2010/11, namely a number of classification errors were still identified. This claim will not be certified in 2011/12 due to the introduction of HRA self-financing.

A Details of claims and returns certified for 2010/11

Claim or return	Value (£)	Certificate	Summary	Fee 2010/11 (£)	Fee 2009/10 (£)	Explanation for any fee increase of more than 10%
Housing and Council Tax Benefits Scheme	96,803,091	Qualified	See main body of report for details. The claim was certified following adjustment by the Council and accompanied with a qualification letter	69,817	86,591	<i>Our 2010/11 fee includes £7,817 for our follow up work on the 2009/10 claim.</i>
Pooling of Housing Capital Receipts	795,694	Without qualification	The claim was certified to be in accordance with the underlying records without qualification	1,588	1,860	
General Sure Start Grant	11,056,739	Without qualification	The claim was certified to be in accordance with the underlying records without qualification	4,243	6,505	
HRA Subsidy Return	(1,224,094)	As amended	The claim was certified to be in accordance with the underlying records without qualification, but with agreed amendments incorporated by the Council	3,808	5,030	
Housing Finance Base Data Return	n/a	Qualified	See main body of report for details. The claim was certified following adjustment by the Council and accompanied with a qualification letter	3,645	6,598	
Disabled Facilities Grant	675,000	Without qualification	The claim was certified to be in accordance with the underlying records without qualification	1,573	1,400	Equivalent to two hours additional testing required to complete the certification of the claim
National Non Domestic Rates Return	73,246,510	Without qualification	The claim was certified to be in accordance with the underlying records without qualification	3,988	5,510	
Teachers' Pensions Return	16,397,020	Without qualification	The claim was certified to be in accordance with the underlying records without qualification	4,670	5,791	
New Deal for Communities	789,467	Qualified	Certification due by 1 March, but is expected to be qualified regarding the completeness of documentation around the asset register for grant funded assets.	6,000 (estimated)	5,785	
Local Transport Plan: Major Projects	5,393,964	Without qualification	The claim was certified to be in accordance with the underlying records without qualification	4,325	2,805	Equivalent to two days additional testing that was required to complete the certification of the claim
Total	203,933,391			103,657	127,875	



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