



Derby City Council

Certification work report 2011/12

February 2013

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1 Executive summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify specific claims and returns 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 We have certified five claims and returns for the financial year 2011/12 relating to grant income in excess of £190 million.
- 1.3 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

- 1.4 We provide 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 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification of 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 the 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	Although all claims appear to have been signed before the authority's deadline, these were not all passed to Grant Thornton in a timely manner. The Council is reminded that original claim forms should be received by Grant Thornton by the stated deadline.
Accuracy of claim forms submitted to the auditor	<p>The Council's Housing and Council Tax Benefit Subsidy claim was qualified again in 2011/12, although there has been a notable improvement in the quality of the assessment of individual claims.</p> <p>One additional claim, the National Non-Domestic Rates return, was qualified due to some of the write off approvals not being available for our inspection.</p> <p>Four of the five claims were subject to amendment, although two of these were non-financial amendments that did not affect the amount claimed by the Council.</p>
Supporting working papers	Supporting working papers prepared by the Council were generally good, which enabled certification within the auditor deadlines.

The way forward

- 1.7 We have made a number of recommendations to address the key messages above, and other findings arising from our certification work, at Appendix C.
- 1.8 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

- 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.

Grant Thornton UK LLP

February 2013

2 Results of our certification work

Key messages

- 2.1 We have certified five claims and returns for the financial year 2011/12 relating to grant income in excess of £190 million.
- 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.	%	
Total claims/returns		5		10		
Number of claims submitted on time	100%	3	60%	8	80%	↓
Number of claims certified on time	100%	5	100%	9	90%	↑
Number of claims certified with amendment	0%	4*	80%	1	10%	↓
Number of claims certified with qualification	0%	2*	40%	3	30%	↓

*One claim, the Housing and Council Tax Benefit Subsidy claim, was both amended and qualified and therefore appears in both figures

- 2.3 This analysis of performance shows that:
- although the Council has obtained the signature of a responsible officer by the submission deadline, the original copy of each claim or return is not being submitted to Grant Thornton in a timely manner
 - four out of five claims required amendment in 2011/12, although two of these were non-financial amendments that did not affect the amount claimed by the Council
- 2.4 Details of the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.
- 2.6 We charged a total fee of £71,944 against an indicative budget of £104,000 for the certification of claims and returns in 2011/12. The cost of reporting to those charged with

governance in 2011/12 remains at £1,200. In the prior year this fee was apportioned across individual claims, but to improve clarity of fees, we have separated this out this year. Details of the fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Submission of claims and returns

- 2.8 The Council is required to submit a signed original copy of each claim or return to their external auditors by the deadline specified by the relevant government department. Although all five claims were signed prior to the deadline, only three were submitted to Grant Thornton before that date.
- 2.9 The Council should ensure that the original signed copy of each claim or return is received by Grant Thornton prior to the stated deadline. We will also be more proactive and email officers the week before the deadline to help ensure this target is met.

Certification of the Housing and Council Tax Benefit Subsidy claim

- 2.10 Local authorities are responsible for administering housing benefit and council tax benefit schemes and claim a subsidy from the Department for Work and Pensions (DWP) towards the cost of the benefits awarded to claimants.
- 2.11 The Council has continued to improve the quality of its assessments, through routine training and quality checks, resulting in a further reduction in the number of errors identified through our certification work. There are still several areas where errors have occurred however and the Council should consider whether any further changes to training or operating procedures are required to allow these to be eliminated.
- 2.12 In addition to our work on the 2011/12 subsidy claim, we have also worked with officers to respond to queries from DWP relating to the 2009/10 and 2010/11 claims.

Certification of the National Non-Domestic Rates (NNDR) return

- 2.13 The Council periodically writes off outstanding NNDR debt that it no longer considers collectable. Each month a schedule of debt to be written off is prepared and signed by a senior officer.
- 2.14 The certification work programme for this return requires us to inspect a sample of these schedules, but not all of those selected for testing could be located at the time of our work. The Council should ensure that an original signed copy of each schedule is retained on file to support the write-off total included in this return. We shall endeavour to bring forward our work to an earlier time, to support the Council to achieve this goal.

Certification of the Teachers' Pensions return

- 2.15 The Council submits an annual return to the Teachers' Pensions Agency (TPA), setting out the value of the pension contributions deducted from local authority teachers' salaries and remitted to the TPA. When a school becomes an academy, it completes a return in its own right and no longer needs to be included in the Council's return.
- 2.16 During 2011/12 Woodlands school became an academy, but the Council continued to pay contributions relating to teachers at this school to the TPA. This overpayment is expected to be fully recovered, however the Council should review the procedures in place to ensure that no further overpayments occur as schools achieve Academy status.

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.

Role	2011/12	2010/11
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	101,453,631	Yes	805	Yes	69,817	56,515	Our 2011/12 fee includes £1,490 for follow up work on the 2009/10 claim (£7,817 to follow up the same claim in 2010/11)
Pooling of housing capital receipts	1,909,377	No	n/a	No	1,588	1,915	Equivalent to three hours additional testing required to complete the certification of the claim
Housing Revenue Account subsidy	(6,286,157)	Yes	1,020,914	No	3,808	4,880	Claim required amendment and resubmission by the Council
National non-domestic rates return	79,098,356	Yes	Non-financial	Yes	3,988	3,885	
Teachers' pensions return	14,605,942	Yes	Non-financial	No	4,670	4,749	
Not requiring certification	n/a	n/a	n/a	n/a	19,786	n/a	
Certification reporting	n/a	n/a	n/a	n/a	n/a	£1,200	In the prior year, the fee was apportioned across the other claims
Total	190,781,149		1,021,719		103,657	73,144	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response
All	The Council should ensure that the original signed copy of each claim or return is received by Grant Thornton prior to the stated submission deadline.	M	Agreed. A schedule of auditable claims will be established by the Council and delivery against submission deadlines closely monitored going forwards. Claim compilers will also be reminded of the requirement to include Grant Thornton when submitting their claim or return to the grant paying body.
Housing and council tax benefit scheme	The Council should consider whether any further changes to training or operating procedures are required to ensure that the errors identified through our testing do not reoccur.	M	Agreed. Will be considered through the post-certification debrief arrangements within the Council.
National non-domestic rates return	The Council should ensure that an original signed copy of each debt write-off schedule is retained on file to support the certification of this return.	M	Agreed. Relevant officers have been reminded of the need to retain all write-off approvals.
Teachers' pensions return	The Council should review the procedures in place to ensure that no further overpayments occur as a result of schools achieving Academy status.	L	Agreed. Improvements to the information sharing process between finance teams have already been implemented to ensure all relevant officers are notified when schools move to Academy status.

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