



Certification report 2012/13 for Derby City Council

Year ended 31 March 2013

22 January 2014

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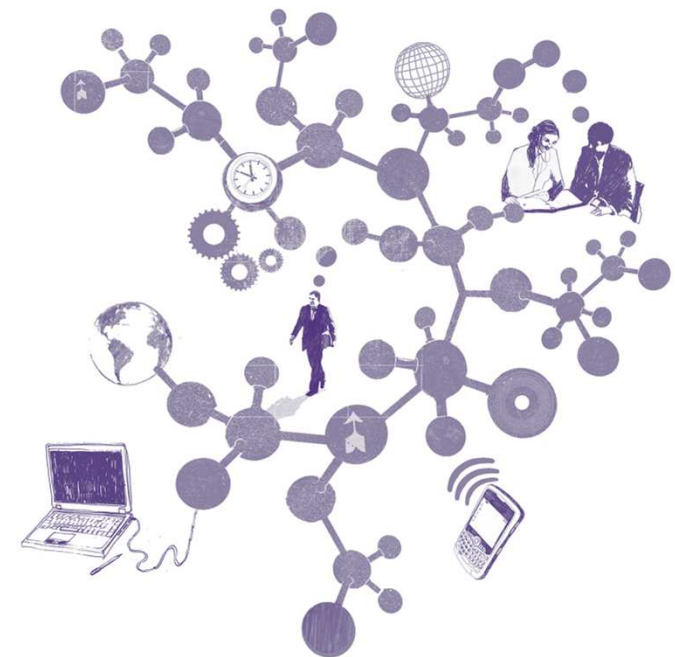
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Contents

Section	Page
1. Executive summary	3
2. Results of our certification work	6
Appendices	
A Details of claims and returns certified for 2012/13	9
B Action plan	10
C Fees	12

Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify specific claims and returns submitted by Derby City 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 five claims and returns for the financial year 2012/13 relating to expenditure of £207.1 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 in July 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 claims with the exception of the Housing and Council Tax Benefit subsidy claim were submitted for audit on time. All claims were certified within the required deadline.	● (amber)
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The Council's Housing and Council Tax Benefit Subsidy claim was qualified again, although the improvement in the quality of the assessment of individual claims seen in 2011/12 has continued in 2012/13. Overall the number of claims certified with amendment has improved from last year, however the number of claims subject to qualification has increased.	● (amber)
Supporting working papers	Overall working papers were of a good standard, and enabled all audit reviews to be completed within the required deadline.	● (green)

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 officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
January 2014

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 five claims and returns for the financial year 2012/13 relating to expenditure of £207.1 million.

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

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	4	80	3	60	↑
Claims certified on time	100%	5	100	5	100	↔
Claims certified with amendment	0%	2	40	4	80	↑
Claims certified with qualification	0%	3	60	2	40	↓

This analysis of performance shows that:

- All claims were certified on time.
- The number of claims certified with amendment has halved.
- There has been an increase in the number of claims certified with qualification.

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:

- Our work on the National Non-Domestic rates return found that the Council did not always retain evidence of write-off approval of outstanding NNDR debt. This issue was also identified in our review of the 2011-12 claim.
- The Council has shown a continued commitment to seek, find and correct error types found in the certification process for previous year's subsidy claims. The additional training provided, comprehensive checks made and subsequent corrections all combined to increase the accuracy of the entries in the 2012-13 subsidy claim form. There are however still areas where errors continue to occur, and the Council should consider whether any further changes to training or operating procedures are required to ensure these are eliminated.

Recommendations for improvement are included in the action plan at Appendix B

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £44,550. The actual proposed fee is £39,414. This is set out in more detail in Appendix C. These grant fees are subject to confirmation by the Audit Commission.

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 scheme	109,394,254	Yes	2,421	Yes	The number of errors and level of additional 40+ testing reduced considerably compared to 2011-12. Amendments to the claim related to classification errors for backdate awards and modified schemes, and an adjustment was required to correct the entry for prior year uncashed cheques.
Pooling of housing capital receipts	3,064,382	Yes	10,563	No	A number of instances were found where entries in the claim form did not agree to the Council's supporting working papers.
National non-domestic rates return	80,660,045	No	n/a	Yes	Our review of a sample of write-offs identified that the Council did not retain evidence of write-off approval for two of the ten cases. This was also raised in our qualification of the Council's 2011/12 NNDR3 return.
Teachers' pensions return	13,758,063	No	n/a	Yes	A small number of errors were identified from our work to agree the Pension Return to the Council's underlying records.
Local Transport Plan Major Projects – London Road Bridge	234,361	No	n/a	No	The claim was certified without amendment or qualification.

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
1	<p>Housing and council tax benefit scheme</p> <p>Backdated expenditure – Improve the quality of evidence on file to support both the period of the award and eligibility for 'good cause'.</p>	High	Measures are being implemented to improve the quality and robustness of backdating eligibility to support future claims. This will yield a full-year improvement of records for 2014-15 claim audit given the elapsed time in the current year.	January 2014 - Beverley Parks
2	<p>Housing and council tax benefit scheme</p> <p>The Council should review and strengthen arrangements for compiling the claim to ensure it is submitted to the DWP by the agreed deadline.</p>	High	<p>Despite attempts to recruit to a key vacant role the Council encountered short-term capacity issues with the 2012-13 filing. This presented a need to engage 3rd party technical specialists to complete the filing activity.</p> <p>Further attempts to recruit again proved unsuccessful. Going forwards, and to prevent late filing in future, the Council has secured external support to work with the Council in early April to bridge this prevailing vacancy and does not envisage a similar delay with the 2013/14 filing with DWP</p>	Implemented/Addressed.

Appendix B: Action plan (Continued)

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	<p>Pooling of housing capital receipts Pre-certification checks for arithmetic accuracy, completeness and reasonableness, including test checks to supporting records and review, by an officer not involved directly in the compilation process should be undertaken to improve the accuracy of the claim</p>	Medium	<p>A number of different officers were involved in compiling the return last year and this may have lead to some minor arithmetical errors. That said it is worthwhile having an independent review of the claim and therefore we agree with this recommendation.</p>	January 2014 - Peter Shillcock
4	<p>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.</p>	Medium	<p>Derby City Council has clear documented procedures for authorising Non-Domestic Rate write-offs and therefore it is disappointing to note that appropriate authorisation could not be located for two of the cases tested. Going forwards and recognising the need for robustness in this area our processes have been changed as follows:</p> <ul style="list-style-type: none"> To avoid misfiling or loss of hard copies, the procedure is now electronic. An electronic file of proposed write offs is passed to the Director by email for authorisation. Once authorised, by placing an electronic signature and date on the file, the Director emails the file back to the Business Rates team. The write offs are then carried out. A copy of the file and email from the Director are retained on a limited access shared drive. 	January 2014 – John Massey

Appendix C: Fees

Claim or return	2011/12 fee (£)	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance (£)	Explanation for significant variances
Housing and council tax benefit scheme	56,515	35,800	30,418	(5,382)	Reduced level of 40+ testing in 2012/13 compared to 2010/11
Pooling of housing capital receipts	1,915	950	1,196	246	Errors and amendments to the claim. Additional time taken to identify, review and confirm amendments correctly made
National non-domestic rates return	3,885	2,400	2,400	0	
Teachers' pensions return	4,749	2,800	2,800	0	
Local Transport Plan Major Projects – London Road Bridge	N/a	2,600	2,600	0	
Housing Revenue Account subsidy	4,880	n/a	n/a	0	
Total	71,944	44,550	39,414	(5,136)	



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