

February 2010

Darlington Borough Council

Annual Certification Report 2008/09

The Members of the Audit Committee
Darlington Borough Council
Town Hall
Feethams
Darlington
County Durham
DL1 5QT

Ladies and Gentlemen

Annual Certification Report 2008/09

We are pleased to present our Annual Certification Report summarising the results of our 2008/09 certification work. We look forward to presenting it to Members on 26 March 2010.

The purpose of this report is to provide a high level overview of the results of certification work we have undertaken at Darlington Borough Council between March 2009 and December 2009.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements, use of resources, data quality, and financial management.

Yours faithfully

PricewaterhouseCoopers LLP

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Contents

Section	Page
1. Introduction	4
2. Results of our certification work	6
Appendix A: Issues noted and management action plan	7
Appendix B: Parameter variances for housing and council tax benefits	10
Appendix C: Certification Fees	13

1. Introduction

Scope of Work

Many grant awarding bodies require external certification of claims and of other returns providing financial information. As Darlington Borough Council's external auditors, PricewaterhouseCoopers LLP (PwC) carries out this certification role. Certification work is not an audit but a different kind of assurance engagement. It involves applying prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and have been prepared in accordance with specified terms and conditions.

Our responsibilities in relation to certification work are determined by the Audit Commission. The detailed work we carry out on individual claims and returns is set out in certification instructions (CIs). These instructions are agreed between the Audit Commission and the funding bodies. They are tailored to the requirements of each scheme and are designed to ensure that authorities adhere to the strict conditions under which grant has been awarded. We certify claims and returns as they arise throughout the year to meet the audited claim/return submission deadlines set by grant paying bodies.

Non-compliance with the conditions of grant increases the risk to the Council that grant paying bodies will retain or claw back funding. In addition, inefficiencies in the preparation of grant claims for certification, and non-compliance with the conditions of grant, complicates the certification process and may increase the cost to the Council of certification work.

To manage the number of grant claims and returns certified by the external auditors and to reduce the regulatory burden faced by authorities, the Audit Commission has placed limits on certification requirements based on the total grant claimed as follows:

- for claims and returns below a de minimis amount, currently £100,000, external certification is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions;
- for claims and returns between the de minimis amount and a threshold, currently £500,000, auditors undertake limited tests to agree entries on the form to underlying records, but do not undertake any testing of the eligibility of expenditure or data;

- for claims and returns over the threshold, auditors 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, auditors undertake limited tests to agree form entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, auditors undertake all of the tests in the relevant CIs and use their assessment of the control environment to inform decisions on the level of testing (sample sizes) required.

There are four possible outcomes from our certification work:

- There may be no issues with the claim/return;
- We may find an error in the form which is notified to officers and corrected in a resubmitted form - an amendment;
- We may detect an issue in the compilation of the form which cannot be corrected, for example where supporting documentation is missing, or, unusually, where we cannot agree corrections with officers. Such issues are notified to the funding body in a covering letter to the claim - a qualification; or
- A claim may be both amended and qualified in relation to different issues.

2. Results of our certification work

The grants audit went well for 2009 and therefore all the points we raise relate to individual claims and not to the overall management of grants.

During the period 1 April 2009 to 31 December 2009 we certified nine claims and returns for Darlington Borough Council representing funding totalling £43,303,602.97. Of these:

- One was amended;
- Three were qualified; and
- One was both amended and qualified.

In considering these results, it is important to note that there is no materiality threshold for our work on claims and returns. Therefore most of the amendments and qualifications related to relatively minor monetary amounts.

All deadlines for submission of audited claims/returns were met with the exception of the Local Transport Major Plan final claim. This claim was originally submitted to us in December 2008 and was required to be certified within 3 months of receipt; however the certification instructions were not issued by the Audit Commission until June 2009 so we were unable to carry out the work until after this time.

The main issues we identified in the course of our certification work are set out in Appendix A together with management responses.

The fees we have charged for certification work are summarised in Appendix C.

Appendix A: Issues noted and management action plan

	Claim/Return (claim deadline)	Issue	Risk to Authority	Recommendation	Management Response	Responsibility / Implementation date
1	Housing and Council tax Benefits Scheme (30 th November 2009)	<p>Parameters in the system</p> <p>The Department for Work and Pensions (DWP) notifies local authorities each year of the level of specific deductions to be used in the calculation of housing and council tax benefits. Officers at Darlington Borough Council did not input all of these parameters individually into the housing system. For one category, 'Other contributory and non contributory social security benefits and war pensions rates', officers applied percentage adjustments to the 2007/08 figures to generate the parameters for 2008/09. This approach resulted in a number of minor differences in certain parameters used in the calculations. These differences are set out in Appendix B.</p>	<p>Although the variances are relatively minor individually, in aggregate they could have a significant impact on the claim.</p> <p>We have been unable to quantify the impact of these differences on the amount of subsidy claimed.</p>	We recommend that, in future, all parameters are entered individually into the housing system in line with DWP guidance.	The majority of parameters are disregarded income and therefore have no impact on the subsidy claim. A rolling programme of reviewing and updating all income types that are subject to annual uplifts has been introduced. This will ensure a higher degree of accuracy when income is routinely updated using DWP figures.	Housing Benefit Manager 2009/10

	Claim/Return (claim deadline)	Issue	Risk to Authority	Recommendation	Management Response	Responsibility / Implementation date
2	Housing and Council tax Benefits Scheme (30 th November 2009)	<p>Parameters set for polygamous marriages</p> <p>DWP also notifies authorities of deductions to be used in the calculation of housing and council tax benefits in the circumstance of polygamous marriages. Darlington Borough Council did not set any parameters for polygamous marriages in 2008/09. Because of this, any additional spouses would have been treated as additional dependants.</p>	The adjustments made to housing and council tax benefits for polygamous marriages are different to those made for additional dependants. The approach taken by the Council may therefore lead to errors in benefit calculations.	We recommend that, in future, all parameters are entered individually into the housing system in line with guidance issued by DWP.	Darlington does not have any polygamous marriage claims, all assessors are aware to contact the system administrator if this type of claim is received. A further reminder to assessment staff has been issued.	Benefit staff 2009/10
3	Sure Start, Early Years and Childcare Grant (31 Oct 2009)	<p>Allocation of staff costs</p> <p>We noted that a number of staff costs had been apportioned to the claim but these costs were not supported by timesheets or other prime records. Instead, the time apportioned to the claim was based on management estimates of time spent by employees on the Sure Start project.</p>	There is a risk that staff costs are not being apportioned to the claim correctly resulting in over or underpayments of grant.	We recommend that staff who work on the Sure Start project complete timesheets and get these approved by management to support the staff costs charged to the claim.	We are currently reviewing the costs and benefits of completing timesheets.	Childrens Services Management 2009/10

	Claim/Return (claim deadline)	Issue	Risk to Authority	Recommendation	Management Response	Responsibility / Implementation date
4	Sure Start, Early Years and Childcare Grant (31 Oct 2009)	<p>Fixed asset register</p> <p>One of the conditions of Sure Start funding is that the accountable bodies should maintain a fixed asset register documenting all capital assets acquired through the grant. We found that Darlington's Sure Start Fixed Asset Register had not been updated in 2008/09 despite the fact that there had been significant capital additions in the year.</p>	The Authority is not complying with the terms and conditions of the grant and there is a risk that funds could be withheld.	We recommend that systems and processes are put in place to ensure that all capital expenditure funded by Sure Start is captured on the fixed asset registers.	Action has been taken to ensure that all asset registers and inventory registers within Childrens Centres are up to date.	Sure Start Staff 2009/10
5	HRA Subsidy (31 Dec 09)	<p>Blank Cells in the return</p> <p>We noted that two cells were left blank when they should have contained a zero. This was subsequently amended in the claim.</p>	Incomplete returns may lead to additional audit costs being incurred as a result of the time taken to check the amended claim.	We recommend that in future years management review returns submitted to us to ensure they are complete.	Agreed, management will review claims in future.	Finance Manager (Housing and Adult Services) 2009/10

Appendix B: Parameter variances for housing and council tax benefits

The table below sets out the difference between the parameters notified by DWP for the calculation of housing and council tax benefits and those used by Darlington Borough Council in 2008/09. Issue 1 in Appendix A has full details.

Parameter	DWP Value £	DBC Value £	Difference £
Attendance Allowance - Lower rate	44.85	44.82	0.03
Incapacity Benefit - Spouse or adult dependant	50.55	50.40	0.01
Short term Incapacity Benefit (under pension age) - Spouse or adult dependant (where appropriate)	39.40	39.39	0.01
Short term Incapacity Benefit (over pension age) - Lower rate	81.10	81.12	0.02
Short term Incapacity Benefit (over pension age) - Higher rate	85.40	84.55	0.05
Short term Incapacity Benefit (over pension age) - Spouse or adult dependant (where appropriate)	48.65	48.64	0.01
Increase of long term incapacity benefit for age - Lower rate	8.90	8.88	0.02
Guardians' Allowance	13.45	13.46	0.01
State Pension - Spouse or adult dependent	54.35	54.34	0.01
Over 80s pension (non contributory - based on residence)	54.35	54.34	0.01
Severe Disablement Allowance - Spouse or adult dependent (where appropriate)	30.40	30.38	0.02
Age addition - higher rate	17.75	17.76	0.01
Age addition - middle rate	11.40	11.43	0.03
Age addition - lower rate	5.70	5.71	0.01

Parameter	DWP Value £	DBC Value £	Difference £
Age allowance - 40%-50%	9.75	9.76	0.01
Age allowances - over 70% but not over 90%	21.25	21.24	0.01
Age allowances - over 90%	29.80	29.81	0.01
Unemployability allowances - personal	89.70	89.69	0.01
Unemployability allowances - adult dependency increase	50.55	50.53	0.02
Unemployability allowances - increase for first child	11.75	11.74	0.01
Unemployability allowances - increase for subsequent children	13.80	13.81	0.01
Constant Attendance Allowance - Exceptional rate	109.60	109.58	0.02
Constant Attendance Allowance - Intermediate rate	82.20	82.13	0.03
Constant Attendance Allowance - Full day rate	54.80	54.74	0.06
Constant Attendance Allowance - Part day rate	27.40	27.37	0.03
Comforts Allowance - Higher rate	23.50	23.47	0.03
Comforts Allowance - Lower rate	11.75	11.74	0.01
Exceptionally severe disablement allowance	54.80	54.75	0.06
Severe disablement occupational allowance	27.40	27.37	0.03
Clothing allowance (£ per annum)	187.00	186.96	0.04
Rent allowance (maximum)	41.05	41.52	0.47
Age allowance for elderly widows - age 65-69	12.55	12.57	0.02
Age allowance for elderly widows - age 70-79	24.10	24.11	0.01
Age 54	84.35	84.33	0.02
Age 53	78.00	77.98	0.02
Age 52	71.65	71.64	0.01

Parameter	DWP Value £	DBC Value £	Difference £
Age 51	65.30	65.29	0.01
Age 50	58.96	58.94	0.02
Age 49	52.61	52.59	0.02
Age 48	46.26	46.24	0.02
Age 47	39.91	39.89	0.02
Age 46	33.56	33.55	0.01
Age 45	27.21	27.20	0.01

Appendix C: Certification Fees

The certification fees for each of the claims/returns certified in 2008/09 are set out below:

Claim/Return	2008/09 Fee (£)	2007/08 Fee (£)	Explanation of significant differences
Housing and council tax benefits scheme	12,350	9,000	Additional time was required to investigate the issues around the uprating parameters (see Appendix B) and to conduct some additional testing on modified schemes such as war widows' pensions.
Pooling of housing capital receipts	1,200	1,950	The work on this claim was completed in less time than the previous year because of the high quality of the working papers provided to us by officers compiling the return.
Sure start, early years and childcare	4,050	2,500	Additional time was spent following up additional queries after the on-site work was completed. Time was also required to draft and review the qualification letter: there was no qualification for the claim in 2007/08.
HRA subsidy	3,000	2,750	Not applicable.
HRA subsidy base data return	2,150	2,000	Not applicable
Disabled facilities	1,000	650	Not applicable.
National non-domestic rates return	2,750	2,500	Not applicable.
Teachers' pension return	1,950	1,300	Additional resource was required to understand the reconciliation of the payroll records to the claim.
Local transport plan: major projects (final)	2,250	n/a	Not applicable.

© 2010 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to the PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This is protected under the copyright laws of the United Kingdom and other countries. It contains information that is proprietary and confidential to PricewaterhouseCoopers LLP, and shall not be disclosed outside the recipient's company or duplicated, used or disclosed in whole or in part by the recipient for any purpose other than to evaluate this report. Any other use or disclosure in whole or in part of this information without the express written permission of PricewaterhouseCoopers LLP is prohibited.