
***Darlington
Borough Council:
Certification
Report (2009/10)***
Report to those
charged with
governance

*Certification Report to
those charged with
governance 2009/10*

February 2011







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

24 February 2011

Ladies and Gentlemen

Subject: Certification Report (2009/10)

We are pleased to present our Annual Certification Report summarising the results of our 2009/10 certification work. We look forward to presenting it to members. 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 on 2009/10 claims and returns that is accessible for members and other interested stakeholders. Fees for 2009/10 certification work are summarised in Appendix A.

Results of Certification work

During the period July 2010 to January 2011 we certified eight claims and returns worth a total of £82,334,985.64. Of these, three were amended following certification work undertaken and two required a qualification letter to set out significant issues arising from the certification of the claim/return. We set out further details in the attached report.

We identified a number of issues relating to the Authority's arrangements for preparation of claims and returns. We have not included every issue identified here, but instead focus on those which have (or could have) a significant impact on the amount of a claim or return.

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2009/10 set out in Appendix B; and
- the adequacy of progress made in implementing the prior year action plan (Appendix C).

Yours faithfully

PricewaterhouseCoopers LLP

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Introduction

Introduction

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies.

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 and on value for money.

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

In March 2010 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 and on the Audit Commission’s website. 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.

Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns

In November 2010 the Audit Commission updated the ‘Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns’. This is available from the Audit Commission’s website.

The purpose of this statement is to summarise the Audit Commission's framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission's appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

Results of Certification Work

Results of Certification Work

Claims and returns certified

A summary of the claims and returns certified during the year is set out below. In two cases a qualification letter was required to set out significant issues arising from the certification of the claim/return. Three of the claims/returns were amended following the certification work undertaken. Not all amendments result in a financial impact on the claim. All deadlines for submission of certified claims/returns to the funding body regulator were met with exception of:

- the Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant.

In this case, officers did not provide us with sufficient evidence to support entries in the claim before the certification deadline.

Claims and returns certified in 2009/10

CI Reference	Title	Original Value (£)	Final Value (£)	Amendment (£)	Qualification
BEN 01	Housing and Council Tax Benefit Scheme	41,183,414.00	41,183,414.00	-	Yes*
CFB 06	Pooling of Housing Capital Receipts Return	203,787.11	203,787.11	-	No
HOU 21	Disabled Facilities Grant	282,000.00	282,000.00	-	No
HOU 01	HRA Subsidy	133,643.00	133,643.00	-	No
EYC 02	Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant	4,252,210.00	4,252,212.00	2.00	Yes
HOU 02	HRA Subsidy Base Data Return	N/a	N/a	N/a	No
LA 01	National Non Domestic Rates Return	30,345,742.09	30,345,742.09	-	No
PEN 05	Teachers Pension Return	5,934,189.44	5,934,189.44	-	No

* 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. In the case of the BEN01 grant above the qualification related to purely rounding errors which, under the Certification Instructions, we are required to qualify on in this instance.

Issues arising

Significant issues were identified which are discussed below. These issues could have had a significant impact on the amount of the claim/return.

The issues identified, the risks of not addressing these issues, and our recommendations for improvement are set out in the table below:

Claim/Return (deadline)	Issue	Risk to the Authority	Recommendation
Disabled Facilities Grant (HOU21) (29 October 2010)	Late submission of the claim to auditors The deadline for the Authority to submit the claim to us for certification was 30 June 2010; however we did not receive the claim until 13 July 2010.	There is a risk that if the Authority does not submit claims to us on a timely basis the deadline for certification may not be met.	We recommend that processes are put in place to ensure that all claims are submitted to us by the deadlines set.
Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant (EYC02) (29 October 2010)	Fixed asset register 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 2009/10 despite the fact that there had been capital additions in the year.	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 through Sure Start is captured on the fixed asset registers.
Housing Subsidy Base Data Return (HOU02) (10 October 2010)	Updates to working papers An amendment to the return was required as the officer responsible for preparing the claim received a more up to date set of working papers from the finance team at the Town Hall after submitting the return to us for certification.	There is a risk that if the Authority makes changes to claims and returns after they have been submitted to us for certification that additional fees will be incurred for reconciling the variances between each claim.	We recommend that systems and processes are put in place to ensure that claims and returns submitted to us are based on final working papers.

Claim/Return (deadline)	Issue	Risk to the Authority	Recommendation
Teachers' Pensions Return (PEN05) (30 November 2010)	<p>Completeness of payroll files</p> <p>In three out of six cases sampled by PwC for detailed testing, officers were unable to provide us with evidence to support the additional contributions payable by the individuals and had to raise a service request with the Teachers' Pensions Agency to confirm the amounts.</p> <p>The explanation provided by officers is that some paperwork was misplaced when moving HR files to Xentrall Shared Services in Stockton.</p>	There is a risk that teachers could be paying incorrect contributions if there is no relevant supporting evidence in employee files.	We recommend that a housekeeping exercise is performed to ensure that supporting documentation is available for all additional contributions.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2008/09. Details can be found in Appendix C. Overall the Authority has made good progress.

Appendices

Appendix A

Certification Fees

The fees for certification of each claim/return are set out below:

Claim/Return	2009/10 (£)	2008/09 (£)	Comment
Housing and Council Tax Benefits Scheme	14,363	12,350	The Council had archived some evidence related to the 2009 return that we wished to review and additional, unplanned, visits were required to follow up this work.
Disabled Facilities Grant	1,200	1,000	Not applicable.
Teachers' Pension Return	2,000	1,950	Not applicable.
HRA Subsidy Base Data Return	3,250	2,150	The Council provided us with an amended claim as a more update working paper had been received from officers in the Finance team. We were therefore required to spend additional time reconciling the duties.
HRA Subsidy	2,500	3,000	An adjustment was made to the 2008/09 return and therefore additional time was spent checking through the revised claim.
National Non Domestic Rates Return	3,150	2,750	Additional testing was required on the 2009/10 return based on new Certification Instruction requirements.
Pooling of Housing Capital Receipts Return	1,250	1,200	Not applicable.
Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant	6,850	4,050	There was a delay in the provision of some evidence to support 2009/10 entries which meant that we had to make a number of unplanned site visits.

There have been no significant increases in our fees year on year which continues to reflect the generally robust arrangement the Council has in place for monitoring grant income and compiling the annual returns.

Appendix B

2009/10 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Disabled Facilities Grant (HOU21) (29 October 2010)	Late Submission of the claim The deadline for the Authority to submit the claim to us for certification was 30 June 2010; however we did not receive the claim until 13 July 2010.	We recommend that processes are put in place to ensure that all claims are submitted to us by the relevant deadlines.	Agreed, Management will ensure that claims are submitted within timescale.	Services for People management staff – Housing
Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant (EYC02) (29 October 2010)	Fixed asset register 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 2009/10 despite the fact that there had been capital additions in the year.	We recommend that systems and processes are put in place to ensure that all capital expenditure funded through Sure Start is captured on the fixed asset registers.	Agreed, action will be taken to ensure all asset registers and inventory registers are updated.	Sure Start staff 2011
Housing Subsidy Base Data Return (HOU02) (10 October 2010)	Updates to working papers An amendment to the return was required as the officer responsible for preparing the claim received a more up to date set of working papers from the finance team at the Town Hall after submitting the return to us for certification.	We recommend that systems and processes are put in place to ensure that claims and returns submitted to us are based on final working papers.	Agreed, management will put procedures in place to ensure the claims are based on the most up-to-date data.	Finance Manager (Housing and Adult Services) 2011

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Teachers' Pensions Return (PEN05) (30 November 2010)	<p>Completeness of payroll files</p> <p>In three out of six cases sampled by PwC for detailed testing, officers were unable to provide us with evidence to support the additional contributions payable by the individual and had to raise a service request with the Teachers Pensions Agency to confirm the amounts.</p> <p>The explanation provided by officers is that some paperwork was misplaced when moving HR files to Xentrall Shared Services in Stockton.</p>	We recommend that a housekeeping exercise is performed to ensure that supporting documentation is available for all additional contributions.	Agreed, the housekeeping exercise will be carried out to ensure all documentation is available	Ann Robinson – Xentrall Shared Services Payroll 2011

Appendix C

2008/09 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
Housing and council tax benefits scheme (30 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.</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	<p>In progress</p> <p>We noted a number of minor discrepancies in parameters for 'Other contributory and non contributory social security benefits' but all parameters for 'war pensions rates' agreed to the rates set by DWP.</p>

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
	<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>	<p>We recommend that, in future, all parameters are entered individually into the housing system in line with guidance issued by DWP.</p>	<p>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.</p>	<p>Benefit staff 2009/10</p>	<p>Closed</p> <p>We noted that parameters for polygamous marriages were not set in 2009/10; however there had been no polygamous marriages.</p>
<p>Sure Start, Early Years and Childcare Grant (31 Oct 2009)</p>	<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>	<p>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.</p>	<p>We are currently reviewing the costs and benefits of completing timesheets.</p>	<p>Children's Services Management 2009/10</p>	<p>Closed</p> <p>We did not note any issues in respect of allocation of staff costs in the 2009/10 grant.</p>
	<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>	<p>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.</p>	<p>Action has been taken to ensure that all asset registers and inventory registers within Children's Centres are up to date.</p>	<p>Sure Start Staff 2009/10</p>	<p>Outstanding</p> <p>As noted in the main body of this report, the register of assets purchased using Sure Start funding has not been updated in 2009/10.</p>

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
HRA Subsidy (31 Dec 09)	Blank Cells in the return We noted that two cells were left blank when they should have contained a zero. This was subsequently amended in the 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	Complete There were no blank cells in the 2009/10 return.

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