
Darlington Borough Council: Certification Report (2010/11)

Report to those charged with governance

*Certification Report to
those charged with
governance 2010/11*

February 2012







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

23 March 2012

Ladies and Gentlemen

Subject: **Certification Report (2010/11)**

We are pleased to present our Annual Certification Report summarising the results of our 2010/11 certification work. We look forward to presenting it to members on 23 March 2012. 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 2010/11 claims and returns that is accessible for members and other interested stakeholders. Fees for 2010/11 certification work are summarised in Appendix A.

Results of Certification work

During the period June – December 2011 we certified eight claims and returns worth a total of £83,886,046.09. Of these, two were amended following certification work undertaken, although the amendments did not affect the monetary value of the claims, 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 the preparation of claims and returns. We have not included every issue identified here, but instead focused on those which could have a material impact on the amount of a claim or return or on the accounts.

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2010/11 set out in Appendix B, and;
- the adequacy of progress made in implementing the prior year action plan (Appendix C).

Yours faithfully,

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP, 89 Sandycroft Road, Newcastle upon Tyne, NE1 8HW
T: +44 (0) 191 232 8493 F: +44 (0) 191 269 3400 pwc.com/uk*

Table of Contents

<i>Introduction</i>	6
<hr/>	
Scope of work	6
Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies	6
Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns	6
Results of Certification Work	9
<hr/>	
<i>Appendix A – Certification Fees</i>	13
<i>Appendix B – 2010/11 Management Action Plan</i>	14
<i>Appendix C – 2009/10 Management Action Plans - Progress Made</i>	17

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. Two of the claims/returns were amended following the certification work undertaken. All deadlines for submission of certified claims/returns were met with exception of the 'Sure Start, Early Years and Childcare Grant and Aiming High for Disabled Children Grant' and the 'Disabled Facilities Grant'.

Claims and returns certified in 2010/11						
CI Reference	Title	Form	Original Value (£)	Final Value ¹ (£)	Amendment (£)	Qualification
BEN01	Housing and Council Tax Benefits Subsidy	MPF720A	44,121,926	44,121,926	N/A	Yes
EYC02	Early Years and Childcare Grant and Aiming High for Disabled Children Grant	AFS 2010/11	140,338	140,338	N/A	Yes
PEN05	Teachers Pension Return	Tr17	5,956,499	5,956,499	N/A	No
LA01	National Non Domestic Rates	NNDR3	29,963,550	29,963,550	N/A	No
CFB06	Pooling of Housing Capital Receipts	Audit 2010/11	273,736	273,736	N/A	No
HOU21	Disabled Facilities grant	DFG	347,100	347,100	N/A	No
HOU02	Housing Finance Base Data Return	12B2	N/a	N/a	Note (1)	No
HOU01	HRA Subsidy	1004	3,082,898	3,082,898	Note (1)	No

Note (1): Amendments were made to this return but there is no monetary value attached to the adjustments as the Department for Communities and Local Government (CLG) use the information in this return to set subsidy entitlement for 2012/13.

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
Sure Start, Early Years and Childcare Grant and Aiming High for Disabled Children Grant (EYCo2) (28 October 2011)	<p>Fixed Asset Registers</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. It was noted that for a number of the Sure Start Centres the asset registers do not include cost, dates of purchase or depreciation, and the registers were inconsistent across the centres. Additionally it was noted that in a number of cases there were non-capital items included on the fixed asset registers. This issue was initially raised in 2008/09.</p>	<p>The Authority is not complying with the terms and conditions of the grant and there is a risk that funds could be withheld.</p>	<p>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. The detail should include the cost, date of purchase and depreciation consistently across all the Sure Start Centres asset registers as the guidance states ‘Although 2010/11 is the final year of SSEYCG and AHDC grant, authorities remain responsible for grant-funded assets for the remainder of their economic life.’</p>
	<p>Late Submission of the claim to auditors</p> <p>The deadline for the Authority to submit the claim to us for certification was 31 July 2011; however we did not receive the claim until 16 September 2011.</p>	<p>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.</p>	<p>We recommend that processes are put in place to ensure that all claims are submitted to us for certification by the deadlines set by the Audit Commission.</p>

Claim/Return (deadline)	Issue	Risk to the Authority	Recommendation
Housing and council tax benefits scheme (BEN01) (30 November 2011)	<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 did not input all of these parameters individually into the housing system.</p> <p>In respect of parameters for other contributory and non-contributory social security rates for Attendance Allowance, Carers Allowance and associated child dependency increases officers applied percentage adjustments to the 2010/11 figures to generate the parameters for 2011/12 which resulted in some variances to the deductions set by DWP.</p>	If errors of this nature recur they could have a material financial impact on the subsidy receivable and cause misstatement to the financial statements.	We recommend that, in future, all parameters are entered individually into the housing system in line with DWP guidance and that Authority performs checks in year to ensure that actual income rates are used in the calculation of HB/CTB prior to completion of the subsidy claim.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2010/11. 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	2010/11 (£)	2009/10 (£)	Comment
Housing and Council Tax Benefits Scheme	15,081	14,363	Not applicable.
Disabled Facilities Grant	1,394	1,200	Not applicable.
Teachers' Pension Return	1,511	2,000	Not applicable.
Housing Finance Base Data Return	3,012	3,250	Not applicable.
HRA Subsidy	2,736	2,500	Not applicable.
National Non Domestic Rates Return	2,390	3,150	Not applicable.
Pooling of Housing Capital Receipts Return	2,135	1,250	Additional time was required to confirm the entries due to the complex nature of the claim.
Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant	3,085	6,850	There was a delay in the provision of some evidence to support 2009/10 entries in the claim which meant that we had to make a number of additional site visits.
Amounts charged for reporting the results of 2010/11 certification work to those charged with governance	2,964	0	Previously this amount was absorbed into the individual claim/return fee's charged, however in year the fee's above have been billed on an actual time spent basis and did not include a percentage absorption.
Total Fees Charged	34,308	34,563	

These fees reflect the Authority's current performance and arrangements for certification.

We are happy to discuss how we may assist further with your improvement, for example we can perform specific focussed, risk-based work in this area should that be required.

Appendix B

2010/11 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Sure Start, Early Years and Childcare Grant and Aiming High for Disabled Children Grant (EYCo2) (28 October 2011)	Fixed Asset Registers 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. It was noted that for a number of the Sure Start Centres the asset registers do not include cost, dates of purchase or depreciation, and the registers were inconsistent across the centres. Additionally it was noted that in a number of cases there were non-capital items included on the fixed asset registers.	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. The detail should include the cost, date of purchase and depreciation consistently across all the Sure Start Centres asset registers as the guidance states 'Although 2010/11 is the final year of SSEYCG and AHDC grant, authorities remain responsible for grant-funded assets for the remainder of their economic life.'	Agreed The Council is working with the DFE to ensure that the work done to bring the Asset Registers up to date meets their requirements.	Sure Start staff 2012

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant (EYCo2) (29 October 2010)	<p>Late Submission of the claim to auditors</p> <p>The deadline for the Authority to submit the claim to us for certification was 31 July 2011; however we did not receive the claim until 16 September 2011.</p>	We recommend that processes are put in place to ensure that all claims are submitted to us for certification by the deadlines set by the Audit Commission.	<p>Agreed</p> <p>Management will ensure that claims are submitted within timescale.</p>	Sure Start staff 2012

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Housing and council tax benefits scheme (BEN01) (30 November 2011)	<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 did not input all of these parameters individually into the housing system.</p> <p>In respect of parameters for other contributory and non-contributory social security rates for Attendance Allowance, Carers Allowance and associated child dependency increases officers applied percentage adjustments to the 2010/11 figures to generate the parameters for 2011/12 which resulted in some variances to the deductions set by DWP.</p>	<p>We recommend that, in future, all parameters are entered individually into the housing system in line with DWP guidance and that Authority performs checks in year to ensure that actual income rates are used in the calculation of HB/CTB prior to completion of the subsidy claim.</p>	<p>Agreed</p> <p>The DWP notifies Local Authorities each year of the levels of uprating for contributory and non-contributory benefit for the following financial year. For some benefits it is not possible to simply uprate the exact figures in accordance with this notification as actual levels of benefit vary from claim to claim, for example State Retirement Pension and Incapacity benefit.</p> <p>These benefits are therefore uprated using an appropriate percentage. This can mean that some incomes are incorrect following the uprating process at year end, although only usually by a few pence at most. In the case of Attendance Allowance it should be noted that this income is disregarded in full.</p> <p>A full review is then undertaken during the year of all these income types and any amounts are corrected in year to ensure that subsidy is correctly claimed. We will ensure that these in year checks are undertaken and that actual income rates are used in the calculation prior to completion of the subsidy claim.</p>	<p>Head of Revenues and Benefits 2012</p>

Appendix C

2009/10 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
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	Outstanding We did not receive the 2010/11 return until 1 August 2011 which was three days later than the deadline for submission of 29 July 2011.

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
Sure Start, Early Years and Childcare Grant and Aiming Higher for Disabled Children Grant (EYCo2) (29 October 2010)	<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 2009/10 despite the fact that there had been capital additions in the year.</p>	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	Outstanding The same recommendation has been raised in 2010/11.
Housing Subsidy Base Data Return (HOU02) (10 October 2010)	<p>Updates to working papers</p> <p>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.</p>	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	In progress The Housing Finance Base Data Return certified in 2010/11 was based on the most up to date information; however a similar issue was noted in respect of the HRA Subsidy Return.

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation Status
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	Implemented Documentation was available for all additional contributions sampled as part of our certification work in 2010/11.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

© 2012 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to 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.