
Annual Certification Report 2013/14

Darlington Borough Council

*Government and
Public Sector – Annual
Certification Report to
those charged with
governance.*

February 2015



The Members of the Audit Committee

Darlington Borough Council
Town Hall
Feethams
Darlington
County Durham
CL1 5QT

February 2015

Ladies and Gentleman

Annual Certification Report (2013/14)

We are pleased to present our Annual Certification Report which provides members of the Audit Committee with a high level overview of the results of the certification work we have undertaken at Darlington Borough Council for the financial year ended 31 March 2014.

We have also summarised our fees for the 2013/14 certification work on page 3.

Results of Certification Work

For the period ended 31 March 2014, we certified two claims and returns worth a net total of £39,472,546. Of these one required a qualification letter to set out the matters arising from the certification findings of the claim or return. We have set out further details within the report.

We identified two matters relating to the Authority's arrangements for the preparation of the relevant claims and returns during the course of our work, these are brought to your attention in this report.

We ask the Audit Committee to consider:

- the matters we have reported to the DWP and management's response to these matters set out on page 4; and
- the adequacy of progress made by the Authority in implementing the prior year action plan in Appendix A.

Going forward, with changes in the Audit Commission structure, only the Housing Benefit Subsidy claim will be subject to certification under the existing regime. All other requests for auditor assurance work for claims and returns will operate outside of these engagement arrangements.

Yours faithfully,

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Introduction

Scope of Work

Each year some grant-paying bodies may request certification by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and is one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (CIs) issued to us by the Audit Commission; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also consider the results of certification work when performing other Code of Audit Practice work at the Authority, including our conclusions on the financial statements and value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

The Audit Commission publishes a '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 website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

Results of Certification Work

Claims and Returns certified

A summary of the claims and returns certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below.

The Audit Commission require that all matters arising are either amended for (where appropriate) or reported within a qualification letter.

In one case a qualification letter was required to set out matters arising from the certification of the claim. These matters are summarised on page 4.

All deadlines for authority submission of the claims and returns were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 3.

Summary:

<i>CI Reference</i>	<i>Scheme Title</i>	<i>Form</i>	<i>Original Value</i>	<i>Final Value</i>	<i>Amendment</i>	<i>Qualification</i>
BEN01	Housing Benefit Subsidy	MPF720 A	38,842,076	38,842,076	No	Yes
CFB06	Pooling of Housing Capital Receipts	2013Po6 (on LOGAS net)	630,470	630,470	No	No

Certification Fees

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

Claim/Return	2013/14 Indicative Fee *	2013/14 Variation**	2013/14 Proposed Final Fee**	2012/13 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	11,881	-	11,881	11,790	Council Tax subsidy ceased in 2013/14 resulting in no requirement for auditor testing; hence there was a small reduction in the certification scale fee
CFB06 Pooling of Housing Capital Receipts	1,483	-	1,483	1,990	
PEN05 Teachers Pensions return	N/A	N/A	N/A	2,240	This scheme was removed from Audit Commission arrangements for 2013/14
LAO1 National Non Domestic Rates	N/A	N/A	N/A	1,420	This scheme was removed from Audit Commission arrangements for 2013/14
Total	13,364	-	13,364	17,440	

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

* Indicative fees may subsequently be updated for Audit Commission approved variations; for example where there was a change in the level of work required.

** Fee variations which are pending Audit Commission approval.

The Council can maintain its performance by:

- continued review of final claims / returns against supporting working papers to ensure there are no discrepancies prior to the Authority's signature and provision to the grant paying body and PwC ;
- continued review of guidance issued by the grant paying body in relation to the claim / return and completion;
- ensuring the adequacy of evidence to support the claim / return entries; and
- timely responses and provision of evidence where queries arise.

Matters Arising

The matters we identified through our certification work are summarised below.

BEN01 Housing Benefit Subsidy Claim

Our testing identified two matters in relation to the Authority's compliance with Housing and Benefit regulations which we have reported to the DWP in a qualification letter.

In summary these matters related to:

- The polygamous marriage system parameters present on the uprating checklist issued by the DWP are not currently being hard coded into the Northgate system. This is consistent with our findings from previous years and management do not believe that this parameter is required as they have never come across a polygamous marriage claim. Should a claim in relation to a polygamous marriage be received then management have informed us that that they will look to set up the parameter immediately.
- Testing of an initial sample of 20 non-HRA properties identified 1 case where the property concerned is an HRA property. Management have confirmed that whilst the property concerned is an HRA property it is used for homelessness cases only (non-HRA). This property and a further 5 HRA properties are used by the Housing Service to provide a short term solution to homelessness. These properties are not part of the HRA stock and the claimants that are placed in these properties are not issued tenancy agreements nor do they have any tenants rights that a normal HRA tenancy holds. On this basis we were unable to conclude if the correct classification has been applied with reference to the DWP guidance. The total additional subsidy claimed in 2013/14 for these properties as a result of classification as non-HRA rent rebates is deemed to be £18,308. Further consultation was made on this matter with the Audit Commission due to ambiguity in the guidance and it was agreed that no additional testing would be required. Due to the uncertainty around these cases no amendment was made to the claim form and the issue was reported to the DWP in a qualification letter to allow a decision to be made by them on how the claims should be classified.

We understand that following the matters raised in our qualification letter the DWP has accepted the total amount of subsidy as that claimed i.e £38,842,076

Prior year recommendations

We have reviewed the progress made by the Authority in implementing the certification action plan for 2012/13; details can be found in Appendix A.

Appendix A

Management Action Plan: Prior year issues (2012/13)

For 2013/14 under Audit Commission certification arrangements, the following schemes did not apply:

- LA01 National Non Domestic Rates
- PEN05 Teachers Pensions Return

Alternative arrangements may have been entered into directly between the grant paying bodies and assurance practitioners, however for the purposes of this report, which is focused on Audit Commission certification work, these schemes have been excluded; on this basis where issues arose in prior year these are now excluded from the action plan.

No prior year issues were identified in relation to CFBO6 Pooling of Housing Capital Receipts Return (deadline 27 September 2013)

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2013)

Issue	Prior year Recommendation	2012/13 Management response	Recommendation Status 2013/14
<p>Reconciliation cells Three of the four in year reconciliation cells did not agree to the headline cells.</p>	<p>We recommend that prior to submission to us for certification, management perform a review of the return to check that the reconciliation cells agree to the headline cells and resolve any rounding differences that may have arisen.</p>	<p>The discrepancies identified were purely down to rounding's. We will proof read the claim form prior to submission.</p>	<p>Closed Reconciliation cells are checked before submission by management. We did not identify any similar issues as part of the 2013/14 certification work.</p>
<p>Lack of evidence for system generated deductions Testing of uncashed cheques revealed that for case 930362 the deduction automatically calculated and applied by the Northgate System was £65.83. However, evidence could only be supplied to support a deduction of £19.11. The prudent deduction of £65.83 was made by the Council.</p>	<p>The case identified should be investigated with the system provider to understand if the system is producing the correct data.</p>	<p>These cases where we can't justify claiming subsidy with any evidence we take a prudent approach and deduct manually from the claim so not to over claim. Further investigation will be made in future.</p>	<p>Closed When appropriate management would contact the system provider for further explanation regarding uncashed cheques We did not identify any similar issues as part of the 2013/14 certification work.</p>

<p>Payments over the LHA cap For homeless cases, the Housing Benefits Department was using rents provided by the Housing Options Department which had been artificially capped at the LHA rate. The Housing Options Department was in some cases paying higher rents and bore the cost of this from their budget. While not impacting on the benefit paid or claimed this led to the understatement of cell 13 as excess rent above the LHA cap was not captured in the claim form.</p>	<p>Actual rents paid should be communicated to the Housing Benefits Department and input into the system. We recommend that standard rents are not used as changes may not be identified promptly but that each rent payment is input based on the invoiced amount/payment made. Evidence should be maintained to support these rents ideally via being scanned onto the system.</p>	<p>Non-HRA claims where calculated up to the 1 bed LHA rate and not the actual rent charged, we have amended the final subsidy claim manually to reflect the amount payable up to eligible rent charged. Going forwards in to 13/14 year, we have agreed the rent charges per property with the housing homeless section and pay up to the eligible rent. I will be quality checking a percentage of these cases on a regular basis throughout the financial year.</p>	<p>Closed The gross eligible rent is now paid in line with regulations and in the 'spirit' of the scheme. As the actual rent is paid this resolves the issue noted in the two B&B properties where the standing rent data did not equal recent invoiced rent. We did not identify any similar issues as part of the 2013/14 certification work.</p>
<p>Manual errors in payslips There were five manual errors identified in the current year. These all related to mistakes on inputting payroll information.</p>	<p>We recommend that the Council increases the frequency of its internal sample checking of manual data and specifically focuses on payslips.</p>	<p>As the error found was down to human error when inputting payslip information, we will be performing a comprehensive and targeted accuracy check of all manually entered payslip information. This will allow us to identify any recurring errors and be more specific with developing a training programme. From the error found in 12/13 claim we were asked to collate a report specific to the error found i.e. claims with payslip input. Our systems admin have now comprised a report that can be ran on a regular basis to clearly identify these claims, this will enable us to quality check the desired case load.</p>	<p>Closed Management are still trying to increase quality checking of all calculations on a day to day basis. We did not identify any similar issues as part of the 2013/14 certification work.</p>

(Due to the removal of Council Tax subsidy from the 2013/14 claim form, any issues noted in 2012/13 in relation to this particular benefit type have been excluded.)

Glossary

2013/14 Schemes applicable to the Authority under the Audit Commission Certification arrangements

BEN01 Housing Benefit Subsidy Claim

Local authorities responsible for administering statutory housing benefit (HB) of rent rebates to tenants of a local authority and rent allowances to private tenants; claim subsidy from the Department for Work and Pensions (DWP). With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent of expenditure incurred.

CFB06 Pooling of Housing Capital Receipts Return

Since 2004/05, local authorities pay part of a housing capital receipt into a national pool run by the Department of Communities and Local Government (DCLG). Pooling applies to all authorities, including those with closed HRAs who typically receive housing receipts in the form of mortgage principal and Right to Buy (RTB) discount repayments.

Audit Commission Definitions for Certification work

Abbreviations used in certification work are:-

‘appointed auditor’ is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

‘claims’ includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

‘assurance engagement’ is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

‘Commission’ refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

‘auditor’ is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

‘grant-paying bodies’ includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

‘authorities’ means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

‘returns’ are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

‘certification instructions’ (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

‘Statement’ is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

‘certify’ means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

‘underlying records’ are the accounts, data and other working papers supporting entries on a claim or return.

