



Dudley Metropolitan Borough Council

Certification work report 2011/12

December 2012

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 Seven claims and returns have been certified for the financial year 2011/12 relating to expenditure of £263 million.
- 1.3 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

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. 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.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that most work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore predominantly represent the results of your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims and returns were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well. In respect of the housing and council tax benefit scheme, the Council needs to continue to try to minimise errors made in the calculation of benefit and classification of benefit payments on the claim form. The Council also needs to take action to ensure that the teachers' pension return is not submitted for certification until senior finance officers are satisfied that it agrees to prime records.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines. However, action is needed to ensure that good quality working papers are provided to support the teachers' pension return.

The way forward

- 1.8 We have made a couple of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 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

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

December 2012

2 Results of our certification work

Key messages

- 2.1 Seven claims and returns have been certified for the financial year 2011/12 relating to expenditure of £263 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		7		10		
Number of claims submitted on time	100%	7	100	10	100	→
Number of claims certified on time	100%	7	100	9	90	↑
Number of claims certified with amendment	0%	4	57	5	50	↓
Number of claims certified with qualification	0%	2	28	5	50	↑

- 2.3 This analysis of performance shows that:
- the Council continues to submit all claims on time
 - all claims were certified on time in 2011/12 compared to 90% in the previous year
 - the percentage of claims certified with amendment has risen slightly from 50% to 57%
 - the percentage of claims certified with qualification has fallen from 50% to 28%
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.

- 2.6 We charged a total fee of £12,670 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £74,867 against an indicative budget of £90,000. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Grants co-ordination

- 2.8 The Corporate Finance Team continues to co-ordinate the submission of claims and returns in an effective manner. All claims and returns were submitted for certification on time and there has been a reduction in the percentage of claims amended and/or qualified.

Compilation procedures

- 2.9 Claims and returns are generally well compiled but improvements are needed in respect of the teachers' pension return and the housing and council tax benefit claim. This is detailed further below.

Supporting working papers

- 2.10 Claims and returns are generally supported by good working papers. The working papers provided in respect of the transport projects for Burnt Tree and Brierley Hill Sustainable Access Network were particularly impressive. However, improvements are needed in respect of the working papers provided to support the teachers' pension return. This is detailed further below.

Certification of teachers' pension return

- 2.11 The certificate issued on the teachers' pension return was subject to four qualifications. These covered various entries on the return not agreeing to the Council's payroll records and to other supporting working papers. A small amendment was also needed to the return (see Appendix B). The working papers submitted to support the return were not up to the standard expected and delays in obtaining responses to queries were also experienced.

Certification of housing and council tax benefit claim

- 2.12 The housing and council tax benefit claim was qualified because of a range of errors found in the calculation of benefit and classification of benefit payments on the claim form. The Council has estimated that this should not have a significant impact on the total amount of subsidy due but this will not be confirmed until the DWP considers the qualifications on the Council's claim and determines the total amount of subsidy to be paid for 2011/12. There were similar findings in respect of the 2010/11 claim and the Council undertook to provide further training to benefits staff to ensure that errors were reduced. The Council should continue to provide this training to staff.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	119,226,643	Yes	683	Yes	36,426	38,555	
National non-domestic rates return	90,119,221	No	0	No	10,683	11,533	
HRA subsidy	22,078,255	Yes	The amendments had no impact on the overall level of subsidy	No	7,658	7,697	
Teachers' pensions return	19,949,364	Yes	5,415	Yes	10,948	14,631	The issues in respect of this return have been detailed above. These difficulties resulted in more time being spent on the return which increased the fee compared to the previous year

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Pooling of housing capital receipts	4,842,083	Yes	207	No	1,965	7,208	Amendments were needed to the return submitted for certification and work was also performed on the 2009/10 return which was re-submitted for certification
Local transport plan: major projects – Burnt Tree	2,564,092	No	0	No	6,655	5,203	Good working papers were prepared by the Council and prompt responses were received to queries raised
Local transport plan: major projects – Brierley Hill Sustainable Access Network	414,863	No	0	No	1,409	1,305	
Reporting to those charged with Governance					0	1,405	No separate fee was levied for reporting in previous years
Total	263,358,683		6,098		75,744	87,537	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Teachers' pensions return	The 2012/13 return should not be submitted for certification until senior finance officers are satisfied that it agrees to prime records and is supported by good quality working papers and a completed grant header sheet. Auditor queries on the return should be responded to promptly	High	We will ensure that additional checks are made to the 2012-13 Teachers' Pension Return and associated working papers by Accountancy officers, to confirm reconciliation to payroll records, and that a grant header sheet is completed to verify the return before submission. The audit of the 2012-13 return will be monitored by the Group Accountant (Corporate Finance & Systems) to minimise any delays in responding to auditor queries
Housing and council tax benefit scheme	Management should continue to undertake training of benefits staff to ensure that errors in the calculation of benefit and classification of benefit payments on the claim form are minimised	Medium	Benefits will continue to provide training and workshops for benefit assessors relating to errors discovered during the audit. Timescale – June 2013

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