



Shropshire Council

Certification work report 2011/12

January 2013

Contents

1	Executive Summary	1
2	Results of our certification work	4

Appendices

A	Approach and context to certification	7
B	Details of claims and returns certified for 2011-12	9
C	Action plan	12

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 Five claims and returns for the financial year 2011/12 have been certified under the Audit Commission framework, relating to expenditure of £177.6 million. It should be noted that three claims (Pooling of Housing Capital Receipts, HRA Subsidy and National Non Domestic Rates) detailed in this certification report were completed by the Audit Commission prior to our appointment as the Council's auditors.
- 1.3 The findings set out in this report therefore represent the results of your previous auditor's work as well as our own. Drawing upon these 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 As noted above the work reported in this certification report represents the results of your previous auditor's work as well as our own. The findings in respect of your Pooling of Housing Capital Receipts, HRA Subsidy and NNDR claims represent the results of your previous auditors work. As incoming auditors from 1 November 2012 we completed the work on the remaining two claims (Housing and Council Tax Benefits scheme and Teachers' Pension return).
- 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	The claims 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	<p>Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.</p> <p>The overall amendments to claims totalled £358 which is significantly below the 2010-11 amendments of £5,000. Only one qualification letter was issued compared to two in 2010-11. This related to the Housing and Council Tax Benefit scheme. Given the complexity of the Benefits scheme and the volume of transactions involved it is not uncommon for amendments to be made and a qualification letter issued on this type of claim.</p> <p>The qualification letter was required because our overall testing identified three cases out of sixty where errors arose as entitlement to backdated Council Tax Benefit was incorrectly awarded. An extrapolation of the results of testing indicated a potential reduction in the cell value of £54. However, because of the nature of the population and the number of cases untested (302) it was unreasonable to use this calculation as a basis for adjusting the claim. Hence this was included in the qualification letter which informs DWP of the issue and they will decide what extra work (if any) will be required.</p>
Supporting working papers	<p>Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.</p> <p>There remains scope for strengthening administrative arrangements in respect of the Teachers' Pension return, particularly around retaining opt out forms on individual teacher's files. Our testing encountered difficulties in obtaining evidence that forms were held to confirm the individual's decision to opt out, although these were eventually located</p>

The way forward

- 1.8 As noted above our testing encountered difficulties in obtaining evidence to support your Teachers' Pension return. This was the same difficulty identified last year by your previous auditors. A recommendation to assist the Council in improving its arrangements in the area of retention of relevant opt out forms was made last year but our work this year indicates that progress is still to be made. Whilst we were able to work through the issue with you this year we have reiterated the key message above and the recommendation to address it at Appendix C.
- 1.9 Implementation of the agreed recommendation will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, the 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

2 Results of our certification work

Key messages

- 2.1 Five claims and returns for the financial year 2011/12 have been certified under the Audit Commission framework, relating to expenditure of £177.6 million. It should be noted that three claims (Pooling of Housing Capital Receipts, HRA Subsidy and National Non Domestic Rates) detailed in this certification report were completed by the Audit Commission prior to our appointment as the Council's auditors. 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		5		11		
Number of claims submitted on time	100%	5	100	11	100	→
Number of claims certified on time	100%	5	100	11	100	→
Number of claims certified with amendment	0%	2	40	3	27	↓
Number of claims certified with qualification	0%	1	20	2	18	↓

- 2.2 This analysis of performance shows that the Council:
- continues to ensure claims and returns are submitted and certified on a timely basis; reduced the number of claims subject to amendment and qualification;
 - submitted less claims for auditor certification due to the abolition of Advantage West Midlands and their associated grant claims; and,
 - as a result of the reduced number of claims had an associated increase in the percentage of claims subject to amendment and qualification but this should not be taken as an indicator of worsening of performance in 2011/12 as the Housing and Council Tax Benefit claim is always likely to be qualified due to its complex nature.
- 2.3 Details on the certification of all claims and returns are included at Appendix B.

- 2.4 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.
- 2.5 We charged a total fee of £14,340 for completing the certification of claims and returns in 2011-12. In addition your previous auditors, the Audit Commission, charged a total fee of £36,334. The overall charge for 2011-12 is therefore £50,674 which compares to the total indicative budget of £66,000. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

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

Grants co-ordination

- 2.7 The overall arrangements for preparing and submitting grant claims has ensured that the Council is able to submit claims on a timely basis to ensure compliance with central government departmental deadlines.

Compilation procedures

- 2.8 The claims are prepared based upon the data held within key financial systems. The returns are prepared by staff within Finance and are properly authorised.

Supporting working papers

- 2.9 The overall arrangements for supporting working papers continues to see improvements. The audit trail and supporting documentation is good. However, there remains scope for strengthening the administrative arrangements in respect of your Teachers' Pension return. Further details are contained in paragraph 2.12 below.

Certification of Housing and Council Tax Benefit Scheme

- 2.10 The review of the Housing and Council Tax Benefit Scheme identified that there continues to be an on-going strengthening of arrangements for ensuring the accuracy to entitlement of Housing and Council Tax benefits subsidy.
- 2.11 Testing of Council Tax Benefit backdated expenditure (cell 159) was subject to extended testing as a failure was identified within the initial sample testing. Overall testing identified three cases out of the sixty cases tested where errors arose. In one case payment was made one day earlier than entitled and there were two cases where benefit had been incorrectly recorded as backdated expenditure because the backdate request could not be traced. Therefore the three amounts should have been removed from Cell 159 (Council tax benefit backdated expenditure) an extrapolation of the results of testing indicated a potential reduction in the cell value of £54. However because of the nature of the population and the number of cases untested (302) it was unreasonable to use this calculation as a basis for adjusting the claim. Hence this was included in the qualification letter which informs DWP of the issue and they will decide what extra work (if any) will be required to be done.

Certification of Teachers' Pensions return

- 2.12 There continues to be an on-going issue in respect of the administrative arrangements for maintaining individual teacher's records. Our testing found six cases out of fifteen initially

tested did not hold an opt out form on the file provided for audit . However, these were later found by the Council, which avoided the need for a qualification letter.

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	87,361,321	Yes	164	Yes	29,015	34,688	Additional audit work required due to difficulties experienced around verifying reconciliations between cell values and reports. Test samples require several complex claims to be reviewed and particular complexities around modified scheme cases tested required additional audit inputs.
National non-domestic rates return	67,978,609	No	-	No	4,528	2,665	Improvements in the audit trail through better supporting documents / working papers improved audit efficiency.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Teachers' pensions return	16,022,769	Yes	194	No	9,795	9,956	Continuing difficulties around administrative arrangements and locating opt out forms resulted in additional audit work being required. However, it should be noted that the Council was fined £6,000 by the Department for Education as a result of the issues raised in the 2010-11 qualification letter. Therefore, additional effort was made to resolve any outstanding audit queries prior to finalising the 2011-12 return, and no qualification letter was required.
Pooling of housing capital receipts	1,017,977	No	-	No	1,035	1,325	Additional audit work was required to be undertaken to gain assurance around the control environment. This was due to the requirement of carrying out detailed testing every three years as prescribed by the Audit Commission's grant instructions.
HRA subsidy	5,219,674	No	-	No	3,855	1,325	Reliance could be placed upon the control environment in 2011-12, resulting in reduced testing being required.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Other claims certified in 2010-11, which were not subject to review in 2011-12	N/A	-	-	-	18,577	0	No comparative claims in 2011-12
Reporting to those charged with Governance	-	-	-	-	0	715	Not separately identifiable in 2010-11.
Total	177,600,350		358		66,805	50,674	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Teachers' Pension return PEN 05	A copy of opt out forms must be held on an individual Teacher's file where they have opted out of the Teachers' Pension scheme.	M	

www.grant-thornton.co.uk

© 2013 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication