



Certification report 2012/13 for Shropshire Council

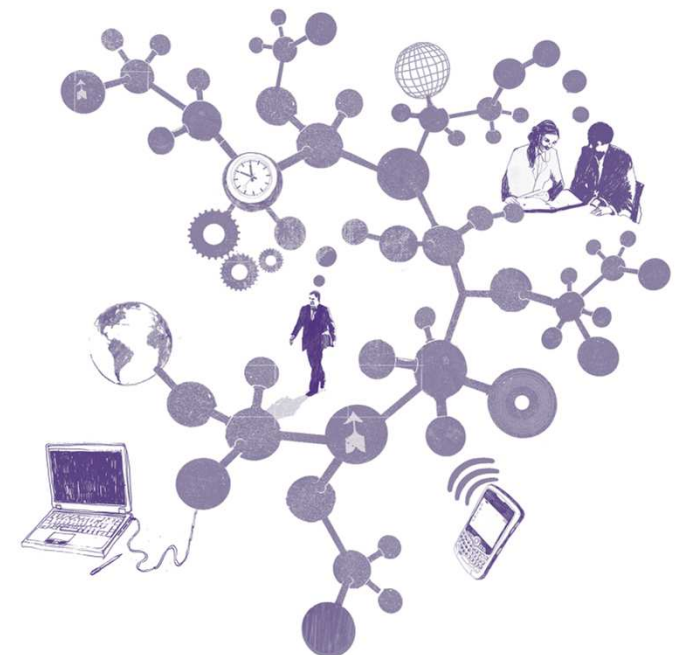
Year ended 31 March 2013

January 2014

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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by Shropshire Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified four claims and returns for the financial year 2012/13 relating to expenditure of £179 million.

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

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.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	One claim (Teachers Pension) was not received by the deadline due to on-going correspondence between the grant body and the Council.	● Amber
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	No amendments were required to the National Non Domestic Rates (NNDR) Claim, Pooling of Housing Capital Receipts claim and Teachers Pension Claim. Amendments were made to the Housing and Council Tax Benefit Subsidy Claim. Our work also identified errors which required reporting to the Department for Work and Pensions in a qualification letter.	● Amber
Supporting working papers	The Council provided excellent working papers to support the claims and all staff fully participated in the audit process.	● Green

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

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

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

Grant Thornton UK LLP
January 2014

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified four claims and returns for the financial year 2012/13 relating to expenditure of £179 million.

The Council's performance in preparing claims and returns is summarised below:

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	3 of 4	75%	5 of 5	100%	↓
Claims certified on time	100%	4 of 4	100%	5 of 5	100%	↔
Claims certified with amendment	0%	1 of 4	25%	1 of 5	20%	↓
Claims certified with qualification	0%	1 of 4	25%	1 of 5	20%	↓

This analysis of performance shows that:

- The number of claims submitted on time has decreased in 2012/13. This was due to on-going correspondence between the grant body and the Council on the Teachers Pension claim in 2012/13, which caused the claim to be submitted for audit late.
- The Council continued to have one claim certified with qualification in 2012/13 which was the Housing and Council Tax Benefit Subsidy claim. Due to its complexity, this is not unusual although the Council should continue to strive to work towards improving accuracy to minimise the risk of being qualified in future years.
- All claims were certified on time.

Details of the certification of all claims and returns are included at Appendix A.

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

- The Housing and Council Tax Benefit Subsidy claim had been prepared by a member of staff who had not undertaken this task previously. Our work identified there were a number of arithmetical and consistency errors that we believe could have been identified through stronger quality assurance arrangements. The Council should ensure that sufficient supervision and review processes are in place to identify and correct such errors prior to audit.
- There were a significant number of errors identified in the Council Tax Cell (cell 142) on the Housing and Council Tax Benefit Subsidy claim. The Council undertook these reviews and we re-performed a sample. The errors were largely due to assessor error and the Council will need to ensure assessors receive appropriate training to address these going forward.

Recommendations for improvement are included in the action plan at Appendix B

Certification Fees

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on the 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £26,650.

Each year there is a minimum amount of work required by the Certification Instructions (Part A testing) with a more detailed review at least every three years (Part B testing). Due to changes in the level of work required from 2010/11 there have been variances in the fee as follows:

- National Non Domestic Rates Return – Part A testing only undertaken in 2012/13 compared with the scale fee which assumed Part A & B testing
- Pooling of Housing Capital Receipts Claim – Part A & B testing undertaken in 2012/13 compared with the scale fee which assumed Part A testing only

There was also a slight variance in the fee in respect of the Housing Benefit and Council Tax Subsidy claim. This and the additional work on the Pooling of Housing Capital Receipts claim was broadly matched by the reduced work required for the National Non Domestic Rates Return this year. On this basis we are not proposing a change to the total scale fee of £26,650 as already reported to the Council. This has been agreed with the Head of Finance, Governance and Assurance. The proposal has been submitted to the Audit Commission and we are awaiting final approval.

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amended Value	Qualified?	Comments
Housing and Council Tax Benefit Subsidy Claim	£91.359m	Yes	£91.358m	Yes	Errors were identified in the processing of benefit claims and also the compilation of the subsidy claim. This will require additional work (40+ testing) to be undertaken in 2013/14 to assess whether errors of the same nature are present. It is also possible that the Department for Work and Pensions (DWP) may require additional testing to be undertaken on the 2012/13 subsidy claim before they agree the final position.
Pooling of Housing Capital Receipts Claim	£0.956m	No	N/A	No	
National Non Domestic Rates Return	£71.191m	No	N/A	No	
Teachers Pension Return	£15.977m	No	N/A	No	

Appendix B: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The number of assessor errors identified in the processing of individual claims within the Housing and Council Tax Benefit Subsidy Claim needs to be minimised. All assessors should be appropriately trained and spot check / internal audit processes should be in place to assess the quality of work being undertaken by individuals.	Medium		
2	The Housing and Council Tax Benefit Subsidy Claim should be subject to quality assurance checks by the preparer and reviewer prior to submission for audit to ensure claim instructions have been appropriately followed and errors minimised	Low		

Priority

High – Significant effect on arrangements

Medium – Some effect on arrangements

Low – Best practice

Appendix C: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing and Council Tax Benefit Subsidy Claim	20,813	17,310	17,933	(2,880)	Different skill mix used to certify claim. However, there is uncertainty about whether DWP will require additional testing to be undertaken due to the nature of the errors identified in the qualification letter.
Pooling of Housing Capital Receipts Claim	795	620	1,460	665	Additional testing undertaken (Part B testing) in line with Certification requirements
National Non Domestic Rates Return	1,599	2,520	905	(694)	Initial testing only required (Part A) and improvements in the audit trail through better supporting evidence improved audit efficiency.
Teachers Pension Return	5,974	5,725	5,877	(97)	In line with previous year
Housing Revenue Account Subsidy Claim (not required in 2012/13)	795	0	0	(795)	Certification of the claim not required in 2012/13
Reporting to Those Charged with Governance	429	475	475	46	Slight increase in the time taken to report
Total	30,405	26,650	26,650	(3,755)	

* 2011/12 fee (£50,675 in total) less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee of £26,650.



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