

Durham County Council

Certification of claims and returns

Annual Report 2012/13



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Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies.’ Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Background

Durham County Council ('the Council') receives more than £1 billion funding from various grant-paying government departments. These departments attach conditions and restrictions to these grants which the Council must meet otherwise funding may be withdrawn or clawed-back.

It is therefore important that the Council can demonstrate that it:

- has put in place adequate arrangements to prepare and authorise each claim and return; and
- can evidence that it has met the terms and conditions put in place by the grant paying body for each claim and return.

The scope of our work

As the Council's appointed auditor, we act as an agent of the Audit Commission to certify specified claims and returns.

The Audit Commission, in consultation with the grant-paying bodies, sets out a programme of work in the form of Certification Instructions ('CIs') that we must follow. It also sets an overall framework under which we carry out our certification work:

- For claims and returns below £125,000 the Audit Commission does not make certification arrangements and as such we are not required to carry out any certification work.
- For claims and returns between £125,000 and £500,000, the Audit Commission requires us to undertake limited tests to ensure that entries on the claim form agree with underlying records.
- For claims and returns over £500,000, we assess the control environment the Council has put in place for preparing the claim to decide whether we can place reliance on these arrangements. Where we can place reliance on the Council's arrangements we undertake limited testing to ensure that entries on the claim form agree with underlying records (as above).

Where we cannot place reliance on the Council's control environment we carry out the full programme of testing in the Audit Commission's CI.

Our certificate

On completion of the specified work we issue a certificate, the wording of which depends on the level of work we have performed on each claim. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter.

Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

02

Findings

The Council's control environment

As required by the Audit Commission's CIs, we have assessed your control environment for the four specified claims and returns:

- Housing and Council Tax Benefit subsidy (BEN01);
- Pooling of housing capital receipts return (CFB06);
- NNDR (LA01); and
- Teachers Pensions (PEN05).

We did not identify any significant weaknesses in your control environment.

Amendments and Qualifications

Appendix A to this report provides an analysis of all four claims and returns on which we carried out certification work.

We certified four claims and returns in 2012/13. One return (Pooling of Housing Capital Receipts Return) was amended but no qualification letter was needed. The remaining three (Housing and Council Tax Benefit Subsidy, NNDR and Teachers Pensions) were all subject to both a qualification letter and amendment.

We are grateful to the officers of the Council who have continued to work closely with us to ensure returns and claims are prepared correctly. In particular, for the Housing and Council Tax Benefit return, officers' continued cooperation and prompt responses to queries is appreciated in what is a complex scheme.

Housing and Council Tax Benefits Subsidy claim and NNDR return

As in previous years, minor errors and minor differences in reconciliations supporting both the Housing and Council Tax Benefits Subsidy claim and NNDR return were identified. Both returns were amended and matters arising were included in qualification letters to the relevant Department. The number and severity of the issues identified and reported continues to decrease significantly for both the Housing Benefit return and the NNDR claim, reflecting ongoing improvements in practices and arrangements for administering these complex schemes.

Pooling of housing capital receipts return

The 2012/13 Return was subject to amendment but no qualification letter was needed. Additional audit work was required this year due to a change in the format of the return from the previous year. We amended the return for a few valuation and archetype errors which increased the quarterly attributable debt by some £7,000 and a minor value transposition error on the cost of improvements.

Teachers Pension Return

The 2012/13 Teachers Pension Return was subject to amendment and qualification, mostly as a result of pension contributions being calculated using an incorrect rate. Most errors were unrelated and limited to one employee, but two errors applied to a number of employees:

- The return included payments made in April 2013 which related to hours worked in March 2013. The employee contributions on these payments have been calculated using the 2011/12 contribution rate, but TP guidance stated that they should have been calculated using the 2012/13 contribution rates.
- For the period from April to June 2013, the employee contribution rate applied to employees in receipt of Statutory Maternity Pay (SMP) was based on the amount of SMP receivable rather than the FTE salary. This was due to a system error whereby people receiving SMP were not attached to a basic pay rate. The system was manually amended on discovery of the error so that the correct rates were applied from July 2013 but no retrospective amendment was made for underpayments from April to June. Officers were unable to quantify the value of the underpayment.

For 2013/14 we have recommended a more thorough review of the claim, including comparison to the monthly uploads to TP.

Progress on 2011/12 recommendations

In 2011/12 it was recommended that claims be subject to evidenced review prior to submission for audit. Improvements are still required in this respect, and this recommendation is therefore carried forward.

03

Certification fees

For 2012/13 the total fees charged for certification work was £50,974. This represents a reduction in overall fees charged in previous years (2011/12 £61,000) as a result of:

- a reduction in the number of claims and returns for which the Audit Commission has made certification arrangements; and
- reduced work on certain claims or returns giving rise to fewer matters arising in previous years.

A breakdown of the fees charged for each claim or return is provided in Appendix A.

Appendix A

Summary of certified claims and returns

Claim or return	Value	2011/12 Actual Fee	2012/13 Scale Fee	2012/13 Actual Fee	Reasons for significant movement (Note: the actual fee has been kept to the scale fee)	Amended	Qualified
BEN01 Housing and Council Tax Benefits Subsidy	243,250,119	47,774	36,597	36,597	There has been an ongoing reduction in time spent due to close co-operation and prompt responses to queries. Therefore, the actual fee has been maintained at scale.	Yes	Yes
LA01 National Non-Domestic Rates Return	104,695,679	8,130	9,950	9,950	The Council has promptly responded to our queries. Therefore, the actual fee has been maintained at scale.	Yes	Yes
PEN05 Teachers Pensions Return	27,153,342	3,138	1,355	1,355	We have kept our actual fee at the scale fee for this year. However, additional time was taken to certify this claim due to errors on the return. In order to ensure that additional fees are not payable next year it is important the Council implements the recommendations we have made for improvement.	Yes	Yes
CFB06 Pooling of housing capital receipts	1,018,936	408	3,072	3,072	There have been changes to the 2012/13 return. The actual fee has been maintained at scale.	Yes	No
EDU06 School Centered Initial Teacher Training (SCitt)	n/a	1,550	2,226	0	Scheme removed from Audit Commission certification regime for 2012/13.	Not certified	Not certified

Total	177,158,255	61,000	53,200	50,974		
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The original Scale Fee for 2012/13 certification work, set by the Audit Commission, included EDU06 School Centered Initial Teacher Training. Due to the timing of certification work, the 2011/12 EDU06 return was certified by Mazars LLP on behalf of the Audit Commission, and the fee for this was £1,550. This Scheme was withdrawn from the certification regime during the year and has not been charged for. The Council is now required to make its own arrangements for the certification of its Initial Teacher Training return.