



*Annual Certification Report
to those charged with governance
2012/13*
Peterborough City Council

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

January 2014



The Members of the Audit Committee

Peterborough City Council
Town Hall
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January 2014

Ladies and Gentlemen

Annual Certification Report (2012/13)

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 certification work we have undertaken at Peterborough Council in 2012/13.

We have also summarised our fees for 2012/13 certification work in Appendix A.

Results of Certification work

For the period ended 31 March 2013, we certified three claims and returns worth a final net total of £184,290,665. Of these, one was amended following certification work undertaken and three required qualification letters to set out matters arising from the certification of the claim or return. We have set out further details in the attached report.

We identified a number of matters relating to the Council's arrangements for preparation of claims and returns during the course of our work, some of which were of a minor nature. The most important of these matters have been brought to your attention in this report.

We ask the Audit Committee to consider the content of this report.

Yours faithfully,

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Introduction

Scope of work

Grant-paying bodies pay billions of pounds in subsidies and grants each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind 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, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions; where this is not the case matters are raised in a ‘qualification letter’.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we, as local government appointed auditors, must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies. Our role is to act as ‘agents’ of the Audit Commission when undertaking certification work; certification work is not an audit but a different form of assurance engagement, the precise nature of which will vary according to the claim or return; we are required to carry out work and complete the auditor certificate in accordance with the arrangements and requirements set by the Commission.

We 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 on value for money.

Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns

In November 2010, the Audit Commission updated the ‘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’s website. The purpose of this Statement is to summarise the Audit Commission’s framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission’s appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010, the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Results of Certification Work

Results of Certification Work

Claims and returns certified

A summary of the claims and returns certified during the year is set out in the table below. In three cases qualification letters were required to set out matters arising from the certification of the claim/return. One of the claims/returns was amended following the certification work undertaken. All deadlines for submission of certified claims/returns were met. Fee information for the claims and returns is summarised in Appendix A.

Claims and returns certified in 2012/13

CI Reference	Scheme Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	87,488,877.00	87,486,056.00	Yes	Yes
LA01	National Non Domestic Rates Return	NNDR3	87,664,801.00	87,664,801.00	No	Yes
PEN05	Teachers' Pensions Return	EOYCd	9,136,987.54	9,136,987.54	No	Yes

Matters arising

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

National Non-Domestic Rates Return

Through our work on this return we identified that the return was signed and sent to DCLG on 17 July 2013. This is after the deadline of 28 June 2013 per the CI and as a result we were required to report this matter to the CLG in our qualification letter.

Whilst this matter did not impact our certification of the claim within the required timescale, the Council should ensure that that form is submitted in a timely manner going forwards.

Housing and Council Tax Benefits Scheme

Our testing identified a number of errors in relation to the Council's compliance with Housing and Council Tax Benefit regulations. In a number of cases, it was possible to quantify these errors and make appropriate amendments to the claim form.

However, we also reported a number of matters to the DWP in a qualification letter where no amendment could be agreed which would be representative of the whole population.

In summary, the matters related to:

- Non HRA: two cases of expenditure misclassification, one case of overpaid benefit, and one case where overpayment started on the incorrect day.
- Council Tax: two cases where earnings had been incorrectly calculated.
- Extended ("40+") testing was performed on the above errors, and also upon errors identified within the prior year testing but not noted within the current year testing.
- 40+ testing resulted in five additional misclassification errors within Non HRA, three errors relating to incorrect usage of child tax credits within Rent Allowances, 19 misclassification of overpayment errors within Rent Allowances, two cases within Council Tax allowance where earnings had been incorrectly calculated and three cases within Council Tax allowance where overpayments had been incorrectly classified.

The majority of these error types were also identified in previous years.

The extended testing following our initial testing of benefit cases was performed this year by the Authority. We are pleased to report that this testing was of good quality.

Whilst we recognise the complexity of this particular claim, it is recommended that additional training is instigated for relevant personnel to avoid continuing issues.

Teachers' Pensions Return

We noted some minor control points for the Council to implement:

- There are no formal checks performed to ensure free schools/academies have been properly excluded from the data and thus the form. Although the third party payroll provider provides a list of the schools within its return, it is the Authority which must identify those which must be excluded during its general checks and reconciliation processes. The Teachers' Pensions' administration team advise the Sero payroll team which schools to include or exclude from the return. During the course of our testing no free schools or academies came to our attention that had been included inappropriately.

- In relation to third party provider information, the Authority performs a check to ensure that the calculation of employers and employees contributions is reasonable. However, there are no spot checks performed on this data to ensure teachers have been included within the correct 'contribution tier'. The value of third party payroll providers' teachers' contributions amounts to £2,266,548. Our testing did not however, identify any errors.

Appendices

Appendix A

Certification Fees

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

Claim/Return	2012/13 Indicative Fee	2012/13 Variation sought from Audit Commission	2012/13 Forecast outturn Fee (£)	2011/12 (£) Final Fee (£)	Comment
BEN01 Housing and Council Tax Benefits Scheme	13,810	9,960*	23,770	26,500	Increase in fee due to additional testing performed as a result of errors in the initial samples tested.
LA01 National Non Domestic Return (NNDR)	3,000	618	3618	5,000	Additional Part B testing performed in 2012/13.
PEN05 Teachers' Pensions Return	2,890	-	2,890	4,800	
Total	19,700	10,578	30,278	36,300	

*This fee variation has been submitted to the Audit Commission for approval.

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

It should be noted that the Audit Commission updated the fee approach for certification in 2012/13. This applied a 40% discount to the 2010/11 billed fee. Indicative fees may subsequently be updated for Audit Commission approved variations; for example where there was a change in the level of work required, such as extended testing.

The Council could improve its performance by

- reviewing the final claim / return against supporting working papers to ensure there are no discrepancies;
- reviewing guidance issued by the grant paying body in relation to the claim / return and completion; and
- ensuring the adequacy of evidence to support the claim / return entries.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, time and issues.

At the same time, we welcome closer scrutiny by officers of any certification claims/returns submitted to us for review and continued efforts to ensure that the quality of evidence available to support claims/returns is appropriate. The Council's performance may also be improved by ensuring prior year qualification issues are reviewed and controls assessed to mitigate against similar errors occurring in future periods.

Appendix B

2012/13 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response
Housing and Council Tax Benefits Subsidy (BEN01) (30 Nov 2013)	<p>Errors were identified including:</p> <ul style="list-style-type: none"> Expenditure misclassification; Data input incorrectly into the calculation of benefit resulting in under / overpayment of benefit. <p>Similar issues were raised in prior years' Annual Certification Reports.</p>	We recommend that the Authority considers why the errors identified in our testing occurred on a case-by-case basis and implement corrective measures as appropriate.	<p>Accepted</p> <p>Action: Some errors were specific to certain officers and others were general errors. With regards to specific errors training has been undertaken to ensure these problems do not occur again. To reduce the risk of other errors occurring there is an ongoing 10% quality control check of all assessments undertaken. Errors found are fed back to both the officer concerned and their team leader and a course of action agreed upon.</p> <p>In November 2013, a new software package has been implemented to allow better management reporting of errors to identify areas that may require further training and/or guidance. Overpayment classification has already been identified as a general area requiring further training, and this training has been undertaken with all benefits staff in January 2014.</p> <p>Owner: Shared Transactional Services</p> <p>Timescale: Implemented</p>
National Non Domestic Rates Return (LA01) (27 September 2013)	The Authority is required to provide the original signed hard-copy of the claim form to the auditors for certification by 28 June 2013. This was not received until 17 July 2013.	All hard-copy claims and returns should be submitted to the appointed auditor for certification in accordance with the certification instruction.	<p>Accepted</p> <p>Action: Changes have been made to the timetable for the completion of this return. these changes include:</p> <ol style="list-style-type: none"> Named responsibility for each form; Extra definition showing separately

Claim/Return (deadline)	Issue	Recommendation	Management response
Teachers' Pensions return (PEN05) (29 November 2013)	<p>There are no formal checks performed to ensure free schools/academies have been properly excluded from the data and thus the form. Although the third party payroll provider provides a list of the schools within its return, it is the Authority which must identify those which must be excluded during its general checks and reconciliation processes. The Teachers' Pensions' administration team advise the Serco payroll team which schools to include or exclude from the return. During the course of our testing no free schools or academies came to our attention that had been included inappropriately.</p> <p>In relation to third party provider information, the Authority performs a check to ensure that the calculation of employers and employees contributions is reasonable. However, there are no spot checks performed on this data to ensure teachers have been included within the correct 'contribution tier'. The value of third party payroll providers' teachers' contributions amounts to £2,266,548. Our testing did not however, identify any errors.</p>	Controls should be implemented to cover off these risks.	<p>dates for submission to the Council and dates for submission to DCLG;</p> <ol style="list-style-type: none"> 3. Retraining on new control points for officers affected; 4. Increased focus of Managers at Serco to timetable and increased follow up of matters that cause concern; and 5. Further communication links between Serco and the Strategic Client Team. <p>Owner: Shared Transactional Services Timescale: Implemented</p> <hr/> <p>Accepted Action: Once a school converts to an academy they are no longer maintained by the LA and this would be covered as part of setting up the academy. Part of the responsibility of an academy and free school is that they are liable to make their own returns to Teachers' Pensions and other regulatory bodies. It would be identified as part of the monthly reconciliation if information was received from an academy or free school and would be excluded.</p> <p>Controls are in place to identify those in the wrong contribution tier. As part of the monthly reconciliation it would be identified if a teacher was paying the wrong contributions as the reconciliation sheet would not balance.</p> <p>PCC Schools Finance team to notify Serco – Payroll when a school transfers to an academy status to ensure that the school is removed from Teachers' Pensions.</p> <p>Owner: Shared Transactional Services Timescale: Implemented</p>

Glossary

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;

‘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;

‘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;

‘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;

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

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

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

‘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;

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

‘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;

‘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;

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



This document has been prepared only for Peterborough City Council and solely for the purpose and on the terms agreed with Peterborough City Council in our agreement dated March 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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