

**Audit Committee – 5 January 2015**

**Grant Thornton: Grant Certification Report 2013/14**

**1. Summary of report**

- 1.1 This report presents Grant Thornton's work in relation to grant certification for the financial year 2013/14.

**2. Recommendations**

- 2.1 Audit Committee is requested to consider and note the report.



James Walsh, Chief Finance Officer  
22 December 2014

**3. Governance**

- 3.1 Grant Thornton are the council's independent external auditors, appointed by the Audit Commission. Outcomes from their work will assist the council in maintaining strong governance arrangements.

**4. Resource, Legal, Performance and Risk Management considerations**

- 4.1 Grant certification work for 2013/14 covered the external audit of 2 claims covering approximately £128m of the council's expenditure. One amendment was made during the audit totalling £8,897.

**5. Equality implications**

- 5.1 There are no direct implications arising from this report.

**6. Consultation**

- 6.1 The report is prepared in consultation with various senior managers.

**7. Background papers**

Various report and working papers, statutory and other guidance.

**Author:** James T. Walsh Chief Finance Officer. ☎ 01922 652322

✉ walshj@walsall.gov.uk



# Grant Thornton

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18 December 2014

Dear James

**Certification work for Walsall Metropolitan Borough Council for year ended 31 March 2014**

We are required to certify certain claims and returns submitted by Walsall Metropolitan Borough 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.

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.

We have certified 1 claim for the financial year 2013/14 relating to expenditure of £116 million. Further details of the claim certified are set out at Appendix A.

We identified during our discovery testing, that there were misclassifications of Non-HRA Rent Rebate expenditure attracting full-rate subsidy which had been attributed incorrectly to cell 023. Testing was extended to cover all 35 cases included in this cell, which highlighted that 24 cases were attributed correctly, but 11 cases should have been apportioned to cell 014 to reflect that the claimants were housed in Walsall MBC licenced accommodation, rather than in the other accommodation expenditure, which cell 023 houses.

This led to an increase in the amount owed to DWP of £8,897 from £2,492,606 to £2,501,503.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £18,782. This is set out in more detail at Appendix B.

In addition to the claim discussed above, we also certified the Teachers' Pensions claim, which was outside of the Audit Commission regime. This was previously covered by the Commission's certification instruction PEN05, but for 2013/14 the certification requirements



fell outside the Audit Commission's arrangements. We therefore performed this certification under a separate engagement, but report our findings to you in this letter for completeness.

We identified three instances whereby individual teachers' deductions had been applied at the incorrect rate, leading to total under contributions of £66.67. We did not consider this to be material in the context of the Teachers' Pension Return and therefore an unqualified conclusion was given.

Yours sincerely

Grant Thornton UK LLP

~~Eof~~ Grant Thornton UK LLP

# Appendix A - Details of claims and returns certified for 2013/14

Claim	Audit Commission regime?	Value	Amended?	Amendment	Qualified?
Housing benefits subsidy claim	Yes	£115,805,033	Yes	£8,897	No
Teachers' Pension Return	No	£12,416,768.26	No	No	No

### Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee	2013/14 indicative fee	2013/14 actual fee	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£23,175	£18,782	£18,782	-£4,393	Reduction in Audit Commission prescribed rates for work relating to the certification of grant claims and returns.
National non-domestic rates return (NNDR3)	£3,250	N/A	N/A	-£3,250	No requirement to certify this return in 2013/14
Teachers' Pension Return (formerly PEN05)	£3,725	-	£4,200	£475	This claim did not form part of the Audit Commission regime in 2013/14 and therefore there was no indicative fee attached to the work.
<b>TOTAL</b>	<b>£30,150</b>	<b>£18,782</b>	<b>£22,982</b>	<b>-£7,168</b>	



Date of receipt:

# Teachers' Pensions Contributions for the Year Ended 31 March 2014

LA Name Walsall LAReference Number 335/0000

Please read notes overleaf before completing this form.

The return must REACH Teachers' Pensions with a minimum of Sections 1 to 3 completed in full no later than 30 May 2014 ( please refer to notes)

**1. Total Actual Contributory Salary £54,282,538.55****2. Summary of Contributions**

	i Additional Pension Payments £0.00 (Note 3)	ii Additional Contributions £0.00 (Note 3)	iii Teachers' Contributions £0.00	iv Employers' Contributions £0.00 (14.1%)	v Total Contributions £0.00
a. Contributions deducted (as per contributory salary at 1 – see note 4)	£136.00	£20,343.23	£4,774,918.02	£7,655,126.78	£12,450,524.03
b. Arrears deducted in respect of EFE Elections (see note 5)					0.00
c. Contributions deducted in respect of PRESTON (see note 7)					0.00
d. TR22 Elections Amounts deducted (see note 6)					0.00
e. Short Term Pensions					£33,693.41
f. Refunds Made (in respect of previous years only)					0.00
g. Contributions Paid (see note 8)					£12,416,768.26
h. Overall Balance 2h = (2a+2b+2c+2d) – (2e+2f+2g) (see note 9)					£62.36

Underpayments identified at h must be paid immediately to Teachers' Pensions – See notes 9 &amp; 11 overleaf

**3. Analysis of Contributions by Tier**

		Contributory Salary £0.00	Teachers' Contributions £0.00	Employer's Contributions £0.00 (14.1%)
Tier 1	6.4%	£1,402.31	£91.15	197.73
Tier 2	7.0%	£7,172,159.65	£502,789.41	£1,012,202.33
Tier 3	7.9%	£8,113,926.67	£640,886.37	£1,144,203.15
Tier 4	8.8%	£18,357,415.49	£1,617,209.18	£2,588,629.37
Tier 5	9.2%	£8,570,853.53	£788,981.96	£1,208,479.83
Tier 6	10.1%	11,301,032.76	£1,143,157.74	£1,593,443.85
Tier 7	10.6%	660,038.05	£69,962.67	£93,065.39
Tier 8	11.2%	105,710.09	£11,839.54	£14,905.13
Total		54,282,538.55	4,774,918.02	£7,655,126.78

Total should agree to Section 1

Total should agree to  
Section 2a(iii)Total should agree to  
Section 2a(iv)



**4. Certificate to be given by the Chief Finance Officer of the Local Authority**

I hereby certify that, to the best of my knowledge and belief, the entries on this form are correct and that, in accordance with the regulations underpinning the Teachers' Pension Scheme:

- Employee contributions have been correctly calculated, deducted from pensionable salary and remitted to TP in respect of all employees who are members of the scheme;
- Employer contributions have been correctly calculated and remitted to TP based on pensionable salaries and applicable contribution rates
- I am satisfied that the authority has adequate systems in place and has obtained supporting evidence which confirms that those entries in respect of teachers in schools maintained by the Local Authority whose salary payments are administered other than directly through the LA payroll are correctly calculated and paid to TP.

**Signed**



**Date**

28.5.14

**Email address**

walshj@walsall.gov.uk

**Name in CAPITALS**

JAMES T WALSH

**Position**

CHIEF FINANCE OFFICER

**Telephone number**

01922 652322

**5. Certificate of the auditor appointed by the Audit Commission**

- ~~I/We have examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated \_\_\_\_\_) and the related accounts and records of the authority in accordance with Certification Instruction CITPO1 and I/we have assessed the control environment for the preparation of this claim of return in accordance with the certification Instruction A01 and, on the basis of my/our assessment carried out Part A/Parts A and B\* tests in Certification Instruction number CITPO5 and obtained such evidence and explanations as I/we consider necessary. (Except for the matters raised in the attached qualification letter dated \_\_\_\_\_) \* I/we have concluded that the claim or return is:~~
- ~~- fairly stated; and~~
  - ~~- in accordance with the relevant terms and conditions~~

**Signed**

**Name in CAPITALS**

**Date**

*\* Delete as necessary # Delete non-applicable certificate*

**Audit Conclusion**

Please indicate below your audit conclusion by ticking the appropriate box:

**Qualification**

**No Qualification**

#### Notes:

- Sections 1 to 3 of this form must be completed in full and returned to reach Teachers' Pensions on or before **30 May 2014**.  
If you cannot agree the Contributions PAID figure at 2g(v) please contact Teachers' Pensions before you finalise this return.  
Where an EOYC is returned with section 5 uncertified, a revised form will be uploaded to the Employer Portal at the commencement of the audit.  
This form should be certified by the Chief Finance Officer and then passed to the Auditor and returned to Teachers' Pensions directly by the Auditor, NOT by the Employer, by or before **28 November 2014**.
- Total contributory salary is the sum of all superannuable pay paid in 2013/14 to employees who are members of the Teachers' Pension Scheme. This figure should be derived from the payroll records and should not be calculated by grossing up the contribution due figures from section 2. The figure should include all superannuable pay for all teachers employed by the local authority including those whose pay is administered by an organisation other than the authority. Only superannuable pay should be included, so total pay figures should be adjusted to exclude cases where a teacher:
  - has opted out of the Teachers' Pension Scheme;
  - is aged 75 or over;
  - is in part-time non pensionable employment;
  - is already correctly contributing to the Local Government Pension Scheme;
  - is in receipt of non pensionable allowances, i.e. overtime;
  - is paying contributions on a former higher salary;
  - is paying additional contributions (PRESTON), due in the case of elections for retrospective access to the pension scheme by part-time workers.

#### Summary of Contributions

- Additional Pensions Payments (Box 2 (i)) relate to teachers who have elected to purchase additional pensions (under the new regulations introduced January 2007) via instalments from their salary. Additional Contributions (Box 2 (ii)) relate to teachers who made an election to purchase Family Benefits or Past Added Years prior to 1 January 2007. Additional Contributions will continue to the original cessation date agreed at the time the election was made.
- Contributions (2a overleaf) are those contributions due on the Total Contributory Salary, at Section 1 overleaf, before any adjustments in respect of previous years, and excluding amounts in respect of TR22 elections (2d overleaf) and the amounts plus interest in respect of backdated EFE elections (2b overleaf) and contributions in respect of PRESTON payments (due in the case of elections for retrospective access to occupational pension scheme by part-time workers) (2c overleaf).
- Arrears in respect of elected further employment (EFE's) (2b overleaf) are those contributions and interest deducted where agreement was given for the election to be backdated.
- TR22 elections (2d overleaf). Any contributions, deducted in respect of employees who have made an election to pay contributions on a former higher salary. This is the total of the employee's and employer's share.
- Contributions deducted in respect of PRESTON (2c) are those contributions deducted from the employee in the case of elections for retrospective access to occupational pension scheme by part-time workers.
- Contributions paid (2g overleaf) are the sums actually remitted according to our records including amounts in respect of TR22 elections, EFE elections and after any adjustments made (e.g. short term pensions, refunds). The total contribution (column v) has been pre-filled but you should agree this figure to your records. They will also include contributions in respect of PRESTON payments (due in the case of elections for retrospective access to occupational pension scheme by part-time workers).
- Overall balance (2h overleaf). Any sums entered here form the basis of the final adjustment payment or refund between the employer and Teachers' Pensions. A positive figure indicates an amount due to Teachers' Pensions; a negative figure indicates an amount due from Teachers' Pensions.

#### Analysis of Contributions by Tier

- Using the guidance in notes 2 and 4 above, complete the Contributory Salary and contributions at each Tier. The Total of Contributory salary should agree to the Total Actual Contributory salary disclosed in Box 1. The Total of Employer's Contributions and Employee's Contributions should agree with the entries in columns (iii) and (iv) of section 2a.

#### End of Year Adjustments

- After completing your return (EOYC), any resulting underpayment due to the scheme should be paid immediately. You should complete an End of Year Underpayment paying-in slip, to be found in the Employer Portal. Any underpayments, which are received after 28 November 2014, will attract interest from the beginning of the financial year. Please indicate on the slip "End of Year Adjustment Payment 2014".
- Any overpayment will be refunded to you direct by Teachers' Pensions on receipt of the audited return and written confirmation of your bank account and sort-code.

#### Statutory Requirements

- Regulation 131 of the Teachers' Pensions Regulations 2010 (as amended) provides that employers are, within such reasonable time as he may require, to make to the Secretary of State such reports and returns, and to give him such information about persons who are or have been in pensionable employment, as he may reasonably require for the purpose of his functions under these Regulations; and such persons, and their personal representatives, are to give him such information and to produce such documents as he may reasonably require for those purposes.
- Teachers' Pensions and auditors acting on their behalf have the right to check all returns. If an audited return or independent certification is not forthcoming by the due date Teachers' Pensions reserve the right to collect individual details of contributions from the establishment's payroll and related records, at the employer's expense.

**AFTER COMPLETION OF SECTIONS 1 TO 3 THIS FORM MUST BE RETURNED NO LATER THAN 30 MAY 2014 to the address below. THE FULLY AUDITED FORM MUST BE RETURNED NO LATER THAN 28 NOVEMBER 2014.**

**Data Protection Act 1998.** The Department for Education (DfE) will use any information you provide in connection with the Teachers' Pension Scheme to administer and operate the scheme and pay benefits under it. This may include passing details to third parties that are involved in the administration and operation of the scheme. The DfE may also use your data for administrative purposes in line with its data protection notification. In order to fulfil its duty to protect public money, the DfE may use information it holds to prevent and detect fraud. It may also share information with other organisations that handle public funds. If there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this leaflet, the legislation will apply.

**Please return to us at:**  
Teachers' Pensions,  
Mowden Hall,  
Darlington, DL3 9EE

[www.teacherspensions.co.uk](http://www.teacherspensions.co.uk)





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## **Reporting Accountants' independent reasonable assurance report in connection with Teachers' Pensions EOYCa return for the year ended 31 March 2014**

To: The Chief Finance Officer of Walsall Metropolitan Borough Council and Teachers' Pensions

This report is produced in accordance with the terms of our contract dated 27 October 2014 and the Standard Terms of Engagement in Appendix 3 of the Reporting Accounting Guidance TP05 (Revised) issued by Teachers' Pensions ('TP05 Reporting Accounting Guidance') for the purpose of reporting to the Chief Finance Officer of Walsall Metropolitan Borough Council (the 'Local Authority') and Teachers' Pensions in connection with the Local Authority's Teachers' Pensions EOYCa Return for the year ended 31 March 2014.

Our report is prepared solely for the confidential use of the Local Authority and Teachers' Pensions, and solely for the purpose of facilitating the Teachers' Pensions Return submission. This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and Teachers' Pensions, we acknowledge that the Local Authority and/or Teachers' Pensions may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of the Local Authority and Teachers' Pensions as described in the TP05 Reporting Accounting Guidance. This report should not therefore be regarded as suitable to be used by any other party for any purpose or in any context. Any party other than the Local Authority and Teachers' Pensions which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

### **Respective responsibilities of the Local Authority and the Reporting Accountants**

As the Section 151 Officer of the Local Authority, the Chief Finance Officer is responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any payroll provider and complete the attached Teachers' Pensions EOYCa return.

It is our responsibility to perform a reasonable assurance engagement and issue a conclusion on whether the EOYCa form has been prepared, in all material respects, in accordance with TP05 Reporting Accounting Guidance.

### **Our approach**

We conducted our reasonable assurance engagement in accordance with the TP05 Reporting Accounting Guidance. For the purpose of the engagement we have been provided by the Chief Finance Officer (Section 151) with form EOYCa for which the Chief Finance Officer of the Local Authority remains solely responsible in accordance with the Local Authority certificate on form EOYCa.



The objective of a reasonable assurance engagement is to perform such procedures on a sample basis as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence on which to base our conclusion on form EOYCa.

#### Inherent limitations

This engagement will not be treated as having any effect on our separate duties and responsibilities where we are appointed external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. This engagement will not be treated as having any effect on our separate duties and responsibilities as the Local Authority's external auditor. Our audit report on the financial statements is issued solely to the Local Authority's members, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members as a body, for our audit work, for our audit reports, or for the conclusions we have formed.

#### Conclusion on EOYCa

On the basis of the work performed, in our opinion, the attached form EOYCa for the year ended 31 March 2014 has been prepared, in all material respects, in accordance with the regulations underpinning the Teachers' Pension Scheme.

#### Without qualifying our conclusion we report the following matters as required by TP05

In accordance with paragraph 31 of TP05 we have tested a sample of teacher's and related employer's contributions to establish that the correct 'basic' (tiered rate) contributions have been deducted. From the sample testing performed of 40 individuals we identified three instances whereby teacher's contributions had been applied at the incorrect rate.

Therefore we consider that the errors have arisen due to the implementation of the tiered rates. The accompanying letter from the authority provides further details.

The errors identified all relate to the Local Authority's payroll and were in relation to two organisations only (from a total of six). The errors were as follows:

	Individual 1	Individual 2	Individual 3
Actual contributions per payroll which were based on incorrect tier	£128.46	£107.28	£168.95
Contributions based on correct tier	£147.73	£110.23	£213.30
Error	£19.27	£2.95	£44.35

As the errors identified related to teachers' contributions, they are therefore reflected in both Section 2 and Section 3 of the EOYCa form, specifically cell 2a(iii) and the sum of the analysis of teachers' contributions in Section 3.

The total teachers' contributions tested in our sample of 40 was £9,064.92. The error rate identified is therefore 0.73%, (sum of errors for all three individuals / total teachers' contributions tested).

The total population of teachers' contributions paid was £4,774,918.02, and therefore this has been used as the basis of the extrapolation. The extrapolated error is therefore £35,065.54, which we do not consider to be material in the context of the Teachers' Pension Return submission. The form has not been amended for the errors found.

Grant Thornton UK LLP

Grant Thornton UK LLP

Birmingham

Date:

18/12/14





**Walsall Council**

## HR Information and Pensions Management

Teachers Pensions  
Mowden Hall  
Darlington  
DL3 9EE

Your ref LA 335/0000 TP EOYCa  
Our ref 3002216  
Date 16 December 2014  
Direct Line 01922 655662  
E-mail [pugha@walsall.gov.uk](mailto:pugha@walsall.gov.uk)

Dear Sir

### **Walsall LA 335 Teachers Pensions EOYCa return for year end 31 March 2014**

I write with reference to the audit report produced by Grant Thornton in relation to the outcome of the Walsall MBC Teachers Pensions audit for 2013/14.

As part of the monthly balancing of pay and contributions for the Walsall MBC payroll, an issue was originally identified in May 2013 relating to the results of the Teachers Pensions employee's banding calculation.

Following further investigation into the calculation basis, a call was booked with the software provider for a solution to be provided. Unfortunately a response to this was not forthcoming because the software provider was undertaking work in relation to the implementation to the Local Government Pension Scheme with effect from April 2014 and therefore resources were not readily available to respond to the call.

During the early part of 2014, the provider was given remote access to the system in order to check the calculation and attempt to provide a solution to the issue. A consultant also made a site visit in order to assess further amendments that were required.

Further checks of the system have been made which show that in terms of the contribution value for 2013/14, the payroll has deducted employee contributions with an overall accuracy of 99.89%.

Work is now ongoing to finalise the solution, after which, further analysis of the payroll data will be undertaken to rectify banding contribution rates where applicable. In the meantime, further manual checks are being implemented until the issue with the software has been resolved.

The provider has also been asked to provide a Teachers Pensions banding report directly from the system in order to assist with the monthly and year-end balancing process.



While the outcome of the audit is clearly disappointing, please be assured that the authority is doing everything in its power to resolve the issue.

Yours faithfully

A handwritten signature in black ink, appearing to read 'L Hemus', written in a cursive style.

Lisa Hemus

Senior Manager- HR Direct Services



**Walsall Council**