

Date Published: 21 January 2015



GOVERNANCE & AUDIT COMMITTEE

28 JANUARY 2015

SUPPLEMENTARY PAPERS

TO: ALL MEMBERS OF THE GOVERNANCE & AUDIT COMMITTEE

The following papers have been added to the agenda for the above meeting.

These were not available for publication with the rest of the agenda.

Alison Sanders
Director of Corporate Services

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5. EXTERNAL AUDIT MATTERS	1 - 12
To receive an update from the Council's External Auditors on a variety of audit matters.	
6. GRANT CLAIMS AND RETURNS	13 - 20
To receive an update on the outcomes of the annual audit of Bracknell Forest Council's grant claims and returns	

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**TO: GOVERNANCE AND AUDIT COMMITTEE
28 JANUARY 2015**

EXTERNAL AUDIT MATTERS Borough Treasurer

1 PURPOSE OF REPORT

- 1.1 To note the Audit Progress Report 2014/15.
- 1.2 To note the Certification of Claims and Returns Annual Report 2013/14.

2 RECOMMENDATIONS

- 2.1 That the Governance and Audit Committee note the Audit Progress Report 2014/15 and the Certification of Claims and Returns Annual Report 2013/14.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To advise the Governance and Audit Committee on progress with the 2014/15 audit.
- 3.2 To advise the Governance and Audit Committee of the external auditor's findings following the conclusion of work undertaken on grant claims and returns for 2013/14.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None

5 SUPPORTING INFORMATION

- 5.1 The Council's external auditor, Ernst and Young, has provided the Committee with a report on progress with the audit which is attached at Annex A.
- 5.2 The Council claims significant sums of money from the Government and the external auditor is required to undertake certification work to provide assurance that the Council's claims for grant are made properly and that the information contained in financial returns is reliable. In Bracknell Forest this work is focussed on the housing benefits subsidy claim only.
- 5.3 The external auditor's Certification of Claims and Returns Annual Report for 2013/14 is attached at Annex B and Helen Thompson, Director, Ernst and Young will attend the meeting to present both reports and answer questions.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Borough Treasurer

- 6.2 Nothing to add to the report.

Equalities Impact Assessment

- 6.3 Not applicable.

Strategic Risk Management Issues

6.4 There are no strategic risk management issues arising from this report.

Other Officers

6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable

Method of Consultation

7.2 Not applicable

Representations Received

7.3 Not applicable

Background Papers

None

Contact for further information

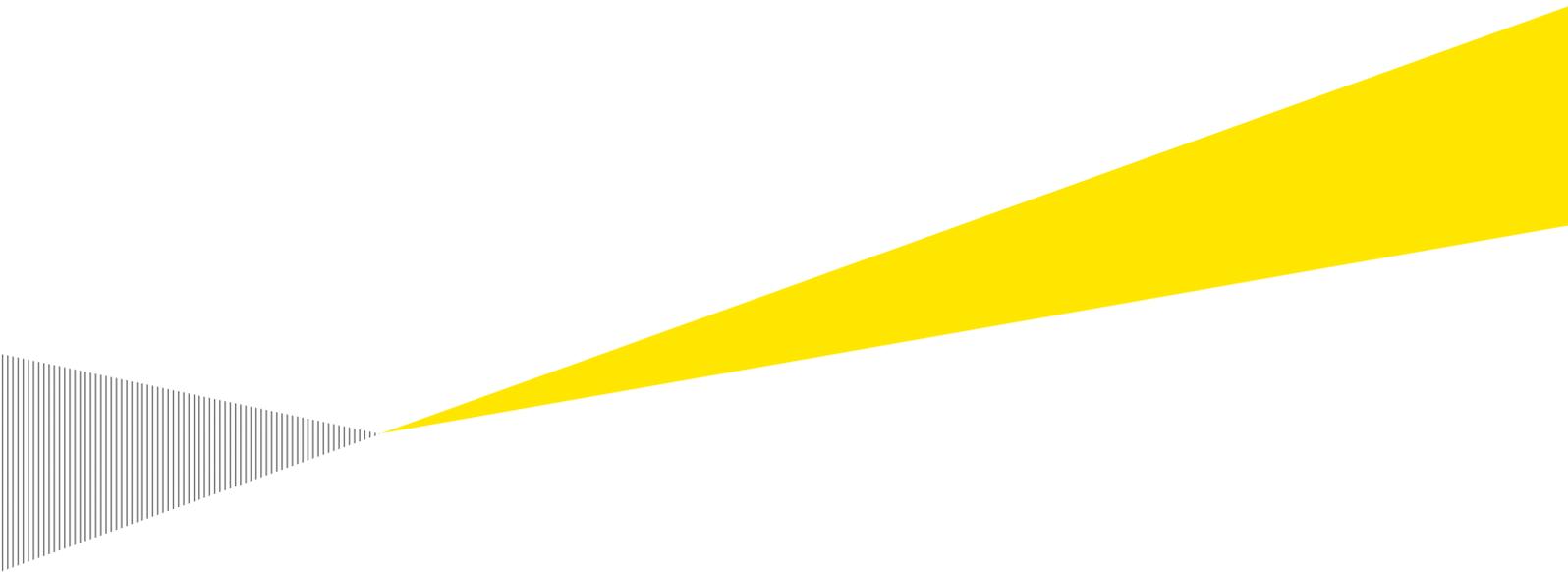
Alan Nash, Borough Treasurer – 01344 352180

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Bracknell Forest Council

Progress Report to the Audit Committee

23 January 2015



Building a better
working world

Members of the Governance and Audit Committee
Bracknell Forest Council
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28 January 2015

Audit Progress Report – 2014/15

We are pleased to attach our Audit Progress Report.

This report summarises the planned work for the 2014/15 audit and the work undertaken to date. Its purpose is to provide Members of the Governance and Audit Committee with an overview of the stages for the 2014/15 audit and ensure our audit is aligned with the Committee's service expectations.

Our audits are undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully



Helen Thompson
Ernst & Young LLP
United Kingdom
Enc.

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of Responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

2013/14 audit

Annual audit letter

The annual audit letter summarised the outcome of our work for the 2013/14 audit. This is included as a separate item on today's agenda.

Grant certification report

The 2013/14 report on our grant certification work which summarises the results of our work on the Council's 2013/14 claims and returns is also included as a separate item on today's agenda.

2013/14 Audit Scale Fee – late variation

We issued our audit results report on 24 September 2014, and we reported the final audit fees, as required by the Audit Commission within that report.

The Audit Commission has recently consulted on a supplement to the 2014/15 audit scale fees. Following that consultation, the Audit Commission has applied a permanent variation of £1,070 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as an audit risk within our Audit Plan. In recognising that this applies equally to 2013/14, the Audit Commission has asked us to agree a scale fee variation of £1,070 to that audit fee with you.

The revised final scale fee in respect of the 2013/14 audit is set at £139,634 compared to the original scale fee of £138,564.

2014/15 audit

2014/15 Financial statements

We are required to give an audit opinion on whether the financial statements of Bracknell Forest Council give a true and fair view of its financial position as at 31 March 2015 and of the income and expenditure for the year then ended.

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we continue to meet key officers and other stakeholders. The timing of each stage of the audit is shown at the end of this report.

2014/15 Value for money assessment

We are required to give a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. The Audit Commission has two specified criteria for the value for money conclusion for the 2014/15 audit. Our work will therefore focus on:

- ▶ arrangements for securing financial resilience - whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ arrangements for securing economy, efficiency and effectiveness - whether the Council is prioritising resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

2014/15 Audit Plan

We will include the risks associated with the Council's financial statements and the value for money assessment in our Audit Plan which we will present to the Audit Committee in March 2015.

Future of Local Audit

Consultation on Local Audit Regulations

As part of its consultation on Local Audit Regulations associated with the Local Audit and Accountability Act, which ended on 18 July 2014, the government is proposing to bring forward the dates for the accounts to be signed and certified by the Responsible Financial Officer, then approved and published, from 30 June and 30 September respectively to 31 May and 31 July respectively. They propose that this change would take place from the 2017/18 accounts, but hope that audited bodies will move to the new timetable as soon as possible.

The consultation also covered collective auditor procurement by a specified person. Under the intended regulations, authorities would be able to opt in to sector-led procurement arrangements, and have an auditor appointed on their behalf, rather than appointing their own auditor locally. Under the draft regulations, the Secretary of State may specify the Appointing Person, and may specify different appointing persons for different groups or types of audited bodies. The outcome of the consultation is expected to be released shortly.

Redistribution of the work of the Audit Commission

The arrangement to redistribute the work of the Audit Commission, and transferring Commission staff into the successor bodies, will secure the ongoing impact of the Commission's core work for the public sector. It will also ensure that the Commission's legacy is more than just financial.

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), an independent company set up by the Local Government Association, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by the Department for Communities and Local Government). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to the PSAA.

Responsibilities for publishing the statutory Code of Audit Practice, guidance for auditors and local value for money studies will transfer to the National Audit Office. Responsibility for the National Fraud Initiative will transfer to the Cabinet Office.

Audit fee consultation for 2015/16

In its last full year of operation before being officially wound down on 31 March 2015, the Audit Commission has announced that it is reducing audit fees by approximately £30 million between 2015 and 2017. If the government decides to extend and lock in the 2012 and 2014 audit contracts until 2020, it is expected that the total value of savings to local government, police, fire and NHS bodies would be approximately £440 million.

The announcement came as the Commission launched its final consultation on work programme and scales of audit fees. These relate to the 2015/16 financial year. The fees will reduce by 25 per cent, following the Commission's successful retendering in March 2014 of the work done under its older contracts. The latest reduction is in addition to the 40 per cent drop in fees made by the Commission in 2012.

In addition to the above savings, the Commission also intends to return approximately £6 million as a rebate to Local Government and NHS bodies in 2014/15.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2014/15 Audit Committee cycle. We will provide formal reports to the Audit Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Audit Committee	Status
Notification of audit fee	April 2014	<ul style="list-style-type: none"> Audit Fee Letter 	July 2014	Completed
High level planning, risk assessment and setting of scope of audit	January - March 2015	<ul style="list-style-type: none"> Audit Plan 	March/June 2015	Ongoing
Testing of routine processes and controls	January - March 2015	<ul style="list-style-type: none"> Audit Plan 	March/June 2015	
Year-end audit	July - August 2015	<ul style="list-style-type: none"> Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate 	September 2015	
Annual Reporting	October 2015	<ul style="list-style-type: none"> Annual Audit Letter 	January 2016	

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16 January 2015

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Dear Alan

Certification of claims and returns annual report 2013/14 Bracknell Forest Council

We are pleased to report on our certification work. This report summarises the results of our work on Bracknell Forest Council's 2013/14 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2013/14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary, audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2013/14 certification work and highlights the significant issues.

We certified the housing benefits subsidy claim, total value £33.4 million, in advance of the submission deadline.

As in previous years, we issued a qualification letter. However, the number of errors found resulting in extended testing reduced from 5 in 2012/13 to 2 in 2013/14. Details are included in section 1. Our work identified five errors which the Council corrected prior to our certification. The amendments had no effect on the grant due.

Fees for certification work are summarised in section 2. Indicative fees are set by the Audit Commission and reflect the amount of work required by the auditor to certify the claims and returns in that year.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee on 28 January 2015.

Yours faithfully



Helen Thompson
Director
Ernst & Young LLP
Enc

Certification of claims and returns annual report 2013/14

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1. Summary of 2013/14 certification work

We certified one claim in 2013/14. The main findings from our work are provided below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£33,338,478
Amended	Yes – no effect on subsidy
Qualification letter	Yes
Fee – 2013/14	£33,433
Fee – 2012/13	£44,650
Findings from 2012/13	Progress in 2013/14
Nine errors were identified in the calculation of income, three of these related to one case. Five errors were identified in classifying overpayments. Issues were identified in the application of the Single Person Discount.	There has been a reduction in the number of errors identified in the claim. Please see below for details.

Councils run the Government's housing benefits scheme for tenants. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim, or where errors in the prior year lead us to believe there is a likelihood of errors in the subsequent year.

Our testing identified five errors for which an accurate amendment could be made to the claim. The amendments made by the Council did not impact on the subsidy claimed.

- Non HRA reconciliation cells did not reconcile.
- Rent Allowance reconciliation cells did not reconcile.
- Cell 27 was mistakenly recorded as £47,228 it should have been £47 to agree with the report from Northgate.
- There were some cases on a report run from Northgate that the claim had not been amended for therefore Cell 94 reduced by £501.20.
- We found one case where the monthly rental figure had been input into the benefits calculation as a weekly figure. We carried out extended testing and found no further errors. After discussion with the Authority we found that the original error had been made by a temporary member of staff who worked at the Council in 2010 for six weeks. We carried out additional testing on this temporary staff member's other work and found no further errors. As a result of this further work, we were able to conclude that it was an isolated error and the Council amended the claim (Cell 103 £1,500.20).

Our testing also identified one error for which an accurate amendment could not be made to the claim. We reported details of this in a qualification letter to the DWP. An incorrect earned income figure was used in the benefit calculation in one case resulting in the overpayment of benefit. We completed extended testing for

this error, which identified a further 2 cases where the claimants' weekly income had been miscalculated resulting in the overpayment of benefit.

The DWP has considered our letter and confirmed no further action is required by the Council.

2. 2013/14 certification fees

The indicative fee for 2013/14 was based on the final 2011/12 certification fee, 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 were removed, and the fee for certification of the housing benefit subsidy claim was reduced by 12 per cent. This is to reflect the removal of council tax benefit from the scheme.

Audit work in 2013/14 was completed in line with the revised indicative composite fee for Bracknell Forest Council, £33,433. This compares to a charge of £44,650 in 2012/13.

In certifying the Council's 2011/12 housing benefit claim, we completed 5 sets of extended testing, as follows:

- 1 set to quantify the impact of errors in the calculation of claimants earnings;
- 1 set to quantify the impact of errors in the rent figure used in the benefit calculation;
- 1 set to quantify errors in the calculation of claimants income;
- 1 set to quantify the impact of an error in the classification of overpayments; and
- 1 set to quantify the impact of the incorrect application of single person's discount.

In certifying the Council's 2012/13 housing benefit claim, we completed 2 sets of extended testing, as follows:

- 1 set to quantify the impact of errors in the calculation of claimants' earnings; and
- 1 set to investigate whether the use of the incorrect rent figure in the benefit calculation was an isolated error.

Claim or return	2012/13	2013/14	2013/14
	Actual fee	Indicative fee	Actual fee
	£	£	£
Housing benefits subsidy claim	44,650*	33,433	33,433
Teachers' superannuation return	770	n/a	n/a
National non-domestic rates return	3,180	n/a	n/a
Total	48,600	33,433	33,433

Fees for annual reporting, planning, supervision and review have been allocated directly to the claims and returns.

*In 2012/13 this included the subsidy for council tax benefit as well as housing benefit.

3. Looking forward

For 2014/15, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2012/13, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2014/15 is £38,000. The actual certification fee may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2012/13 on individual claims or returns. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2012/13 fee.

The DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Audit Commission in 2015. The Audit Commission currently expects that auditors will continue to certify local authority claims for housing benefit subsidy from the DWP under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014/15. Arrangements for 2015/16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016/17, when Universal Credit is expected to replace housing benefit.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made, or does not intend to make, certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements.

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