



Annual Certification Report (2011/12)
Bracknell Forest Council

Report to those charged with governance

January 2013

Ernst & Young LLP

 **ERNST & YOUNG**

The Members of the Governance and Audit Committee

Bracknell Forest Council
Easthampstead House
Town Square
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Dear Members

Annual Certification Report (2011/12)

We are pleased to attach our annual certification report for the forthcoming meeting of the Governance and Audit Committee. This report summarises the results of certification work that we have undertaken at Bracknell Forest Council on 2011/12 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. Often these grant-paying bodies require certification from an appropriately qualified auditor of the claims and returns submitted to them.

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.

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 Ernst & Young, as appointed auditors of the Council, set out the work we must undertake before issuing our certificate. We certify grants and claims as they arise throughout the year to meet the audited claim/return submission deadlines set by the grant-paying bodies.

Statement of Responsibilities of Auditors and Audited Bodies

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 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 the Governance and Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Results of certification work

For the period 1 April 2011 to 31 March 2012 we certified three claims and returns with a total value of £96.207 million.

Although there have been continuing improvements in the Council's approach to compiling grant claims, it was still necessary to qualify and amend the Housing and Council Tax Benefit claim. Details of the qualification matters are included in section 2. Adjustments to subsidy may arise due to this. The amendment to the claim increased the grant due to the Council by £1,380.

All deadlines for submission of certified claims and returns were met.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting scheduled for 29 January 2013.

Yours faithfully
For and on behalf of Ernst & Young LLP

David Wilkinson
Ernst & Young LLP

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1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value £000s	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	37,544	(Q) (A)	See section 2 below – the main issues arising related to calculation of earnings and classification of overpayments. Progress has been made since 2010/11 in reducing classification errors.
National non-domestic rates return (NDR3)	LA01	52,342	-	Not applicable
Teachers' pension return	PEN05	6,321	-	Not applicable

2. Qualifications in respect of 2011/12 certification work

The certificate that we issue to the grant-paying body is qualified where there is disagreement or uncertainty over an item or items in the claim or return, or the Council has not complied with the scheme terms and conditions. Details of the qualifications made during 2011/12 are provided below.

Claim/Return	Issue and risk arising	Officers' comments and agreed action plan
Housing and council tax benefit scheme	<p>Errors in the calculation of income can lead to underpayments or overpayments to claimants. If benefit is overpaid the Council may receive a lower subsidy. From the initial sample of 60 claims, we identified two claims where an underpayment of benefit arose and a further claim where, although there was no impact on entitlement, the income calculation was incorrect. As errors in the calculation of income have arisen in the past, we were required to extend our testing. This identified a further seven claims with errors – four led to underpayments of benefit, one had no impact and two led to an overpayment of benefit. This was reported in the qualification letter. The Council should continue to focus on reducing errors in this area.</p>	<p>A programme exists for checking 10% of all assessment officer work and all high payments are checked. Issues identified in calculating income are identified and addressed at one to one supervision with staff and training offered. The software that selects the random sample to be checked now provides a higher percentage of claims which include earnings to address this issue. This programme has seen a steady increase in the quality of assessments over the last year and will be continued.</p>
<p>Once overpayments have occurred the impact on subsidy varies depending on the cause and therefore classification of the overpayment. Problems with the classification of council tax overpayments have been identified in the past. We were therefore required to carry out additional work in this area, and identified</p> <ul style="list-style-type: none"> one misclassified case relating to the overpayment of benefit when a claimant dies. This was reported in the qualification letter. The officers do not agree with our interpretation of the guidance and we included their comments in the letter to the DWP. 	<p>The Council's benefit software is written to comply with statutory instrument 1998/562 in determining the nature of technical overpayment for council tax benefit purposes. As such the Council does not agree with the auditors' interpretation of the misclassification of the error. Nevertheless, the introduction of the "Tell Us Once" programme means that following registration of deaths claims will automatically be suspended in the future thus avoiding this situation arising.</p>	

- one amendment was required to correct the classification of a different type of overpayment for council tax. This was determined to be an isolated case due to the nature of the claim.

Overall, fewer errors with overpayments were identified than in 2010/11.

The classification of backdated claims has also improved. As there were several errors in classifying backdates for rent allowances in 2010/11, we carried out additional testing in 2011/12 and found one error. The claim was amended for this.

We identified the following areas where the Council should continue to improve:

- two amendments were made to cells to correctly reflect the underlying working papers. This had no impact on the subsidy
- the entries on the claim form should reconcile with each other. We found discrepancies of £15,000 and, as in 2010/11, we reported this
- cases for claimants living in mobile homes properties had been misclassified. This had no impact on the subsidy and the cases were moved to the correct part of the claim. This has been reported in previous years.

The errors identified in working papers were due to transposition of numbers and are not regarded as systematic error.

The Council regularly reviews the classification of claims based on advice from experts and other local authorities. Where there are judgements to be made on the appropriate classification of claims the Council will rely upon this advice and discussion with the auditor to inform classification.

3. Progress on previous auditor recommendations

Progress on recommendations from 2010/11 grant certification work is detailed below.

Agreed action	Deadline	Current status
Keep the focus on reducing the level of errors in awarding and claiming subsidy for Housing Benefit and Council benefit.	Ongoing	Scope for some further improvement We noted improvements during our testing of the 2011/12 claim although work is still required on reducing errors in earnings calculations.
Continue to reduce the level of errors in assessing earnings	1 April 2012	Scope for improvement Based on our samples we found ten errors in 2011/12. In 2010/11 three errors were found, so this remains an area for the Council to focus on.
Ensure there is a clear trail of how assessments have been made.		Scope for some further improvement We noted improvements during our testing of the 2011/12 claim but there is still scope to make the trail clearer. As well as supporting the certification audit it would also save time needed for the Council's own management checks.
Reduce the level of errors in classification.	Ongoing	Scope for some further improvement Much work has been carried out on regulated tenancies and in 2011/12 the Council's own checks identified an error before the claim was submitted. Overpayment classification has improved in 2011/12. There remains further scope to eliminate errors. Audit adjustments were still required for non HRA rent rebates in respect of claimants in mobile homes.

Progress on previous auditor recommendations

Agreed action	Deadline	Current status
Ensure changes in benefit regulations, are reflected in the software and subsidy claim.	Ongoing	Scope for improvement
This relates to the change in regulations for classifying Council Tax benefits overpayments when a claimant dies.		One error was found with an overpayment due to the death of a claimant. The Council disagrees with our view and we have included their comments in our report to the DWP.
Investigate why there are start date errors and provide training if required.	Ongoing	Implemented
As audit queries are raised ensure staff are clear on what is required so action is planned to clear them promptly and effectively.	Implemented	Additional testing in 2011/12 identified no issues to report. Implemented We noted improvements during our testing of the 2011/12 claim.

Appendix A Certification Fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	63,714	70,677	There were fewer errors and continued improvement in how officers responded to queries and carried out additional testing.
National Non-domestic Rate (NDR3)	1,144	5,034	The fee was higher in 2010/11 due to the change of system mid year
Teachers Pension return	2,216	1,215	The fee was higher in 2011/12 as fuller testing is required every 3 years
Sure start, early years and childcare grant and aiming high for disabled children grant	-	2,167	Not requiring certification in 2011/12
Disabled facilities	-	120	Not requiring certification in 2011/12
Planning and reporting	5,135	4,189	Estimate
Total	72,209	83,402	

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