

Bracknell Forest Council

Certification of claims and returns annual report 2012-13

28 January 2014

Ernst & Young LLP



Private and confidential

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28 January 2014

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Dear Members

**Certification of claims and returns annual report 2012-13
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 2012-13 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 2012-13, 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 and council tax benefits subsidy claim where the grant paying department sets 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 2012-13 certification work and highlights the significant issues.

We checked and certified one claim and two returns with a total value of £90,390,745. We met 2 submission deadlines for the returns, and the third – Housing Benefit and Council Tax benefit subsidy – was submitted very shortly after the deadline. As in previous years, we were required to issue a qualification letter for the Housing Benefit claim. Details of the qualification matters are included in section 2. Members may wish to note that qualification letters are not unusual because of the size and complexity of the claim and a majority of claims are subject to qualification.

The Council has made progress on recommendations made last year regarding Housing Benefit and Council Tax Benefit subsidy, particularly in assessing earnings and in arrangements for compiling the claim. Some new issues regarding calculation of rent and single person discount for council tax benefit have arisen this year. With changes to the benefits regime, including the introduction of the local council tax benefit scheme from 2013-14, the Council will need to maintain its focus on continuing to achieve improvements relevant to the subsidy regime from 2013-14 and managing outstanding issues from 2012-13.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee on 28 January 2014.

Yours faithfully



Helen Thompson
Director Ernst & Young LLP
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1. Summary of 2012-13 certification work

We certified one claim and two returns in 2012-13. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,845,900
Limited or full review	Full
Amended?	No
Qualification letter	Yes
Fee – 2012-13	£ 44,650
Fee – 2011-12	£ 59,359
Recommendations and findings from 2011-12:	Progress on findings in 2012-13
The Council should continue to focus on reducing errors in the calculation of income.	We found nine errors in the calculation of income in 2012-13, three of these related to one case. We found ten errors in 2011-12.
There were fewer errors in classifying overpayments than in 2010-11.	We found five errors in classifying overpayments in 2012-13. We found two errors in 2011-12.
The claim should reflect underlying working papers.	There was an improved audit trail in 2012-13.
Entries on the claim form should reconcile with each other.	The difference in 2012-13 was £135 (£15,000 in 2011-12).
Cases for claimants living in mobile homes were misclassified.	All cases tested for mobile home claimants were correctly classified.

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. 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. We found errors in our initial testing and carried out extended testing in five areas.

Our extended and other testing identified errors. We have reported underpayments, and the extrapolated value of other errors to the DWP in a qualification letter. The following are the main issues included in our qualification letter.

Calculation of income (rent allowances and council tax benefit)

Errors in calculating income have been reported in previous years. The number of errors identified has reduced in comparison with 2011-12 and one case contained three of the errors found. Errors resulted in both under and overpayment of benefit and included miscalculating a claimant's weekly income and incorrect inclusion of other benefits in the income calculation. The value of extrapolated errors included in the qualification letter was £2,932 (rent allowances) and £5,738 (council tax benefit). The Council should continue to focus on reducing errors in calculating income to sustain its improvement in this area.

Classification of overpayments (council tax benefit)

The cause and total level of the overpayments impacts on the level of subsidy the Council receives. We found a slightly higher number of misclassifications in 2012-13. As the value of errors found does not exceed the threshold allowed by the DWP for errors there is currently no impact on subsidy.

With the introduction of local council tax support in 2013-14, the classification of council tax benefit overpayments will not be relevant for subsidy, but we suggest the Council reviews whether issues found in 2012-13 impact on rent allowances and non HRA rent rebates and carry out training if required.

Calculation of weekly rent (rent allowances)

We found two errors in the calculation of weekly rent resulting in one overpayment and one underpayment of benefit. Additional testing identified no further errors. The value of the extrapolated error in the qualification letter was £4,885. The Council should assess if training is required for the calculation of weekly rent.

Single Persons Discount (SPD) (council tax benefit)

Guidance issued to auditors states that “... DWP advised that a person is not liable for the full council tax liability just because they choose not to apply for the discount or are unaware of its availability; the person is entitled to the discount and this should be taken into account in determining the council tax benefit payable. It follows that where a benefit claim is received against a full council tax liability and on the face of it a single person discount could apply, the authority should take follow up action and either apply the discount where appropriate or otherwise be able to justify not having done so.”

Our initial testing identified one case where SPD was applied for one year when it should not have been, leading to an underpayment of benefit. Further testing identified three cases where SPD should have been applied. The Council accepts the issue and has contacted the DWP to determine its requirements for testing and reporting this issue.

We will update our qualification letter when the work is completed.

Follow up work for the 2011-12 claims

In February 2013, at the request of the DWP, we issued a supplementary report to the DWP in respect of our 2011-12 qualification letter. This concerned the method of extrapolating errors reported on rent allowances and further information over the misclassification of a council tax benefit overpayment. We understand that the DWP has since closed the 2011-12 claim and recovered £2,196 in subsidy. The fee for this work was included in the 2011-12 fee.

Teachers' superannuation return

Scope of work	Results
Value of return presented for certification	£6,635,911
Limited or full review	Full
Amended	Not amended
Qualification letter	No
Fee – 2012-13	£770
Fee – 2011-12	£2,216
Recommendations from 2011-12:	Findings in 2012-13
None	No matters to report

The Teachers' Pension Scheme is a contributory pension scheme run separately from the local government pension scheme and administered by Teachers' Pensions on behalf of the Department for Education. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government. Auditors are required to carry out checks on the return made.

We found no errors on the teachers' superannuation return and certified the amount payable without qualification.

National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£51,544,845
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£3,180
Fee – 2011-12	£1,144
Recommendations from 2011-12:	Findings in 2012-13
None	No matters to report

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found no errors on the national non-domestic rates return and we certified the amount payable to the pool without qualification.

2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Bracknell Forest Council for 2012-13 was £48,600. The estimated actual fee for 2012-13 is £48,600. However, there may be some additional fee associated with the further work on SPD; more will be known when the Council agrees this work with the DWP. This compares to a fee of £67,854 in 2011-12.

Claim or return	2010-11 Actual fee £	2011-12 Actual fee £	2012-13 Indicative fee £	2012-13 Actual fee £
Housing and council tax benefits subsidy claim	70,677	59,359	44,650	44,650
National non-domestic rates return	5,034	1,144	3,180	3,180
Teachers' Pension return	1,215	2,216	770	770
Sure start, early years and childcare grant and aiming high for disabled children grant	2,167	certification not required	certification not required	
Disabled facilities	120	certification not required	certification not required	
Certification of claims and returns – annual report	4,189	5,135		
Total	83,402	67,854	48,600	48,600

We have completed the work in line with the indicative fee which was set by the Audit Commission at 40% of grant certification fees for 2010-11. Fees for annual reporting and for planning, supervision and review in 2012-13 have been allocated directly to the claims and returns.

National non-domestic rates return (NNDR) – limited testing was carried out in 2011-12.

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £39,400. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 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/201314-fees-and-work-programme/individual-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 2011-12 fee.

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. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

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