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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
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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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