

Supplementary Papers

Audit and Governance Committee

held in the Council Chamber, The Abbey House, Abingdon
on Wednesday 30 January 2013 at 6.30 pm

Open to the public including the press

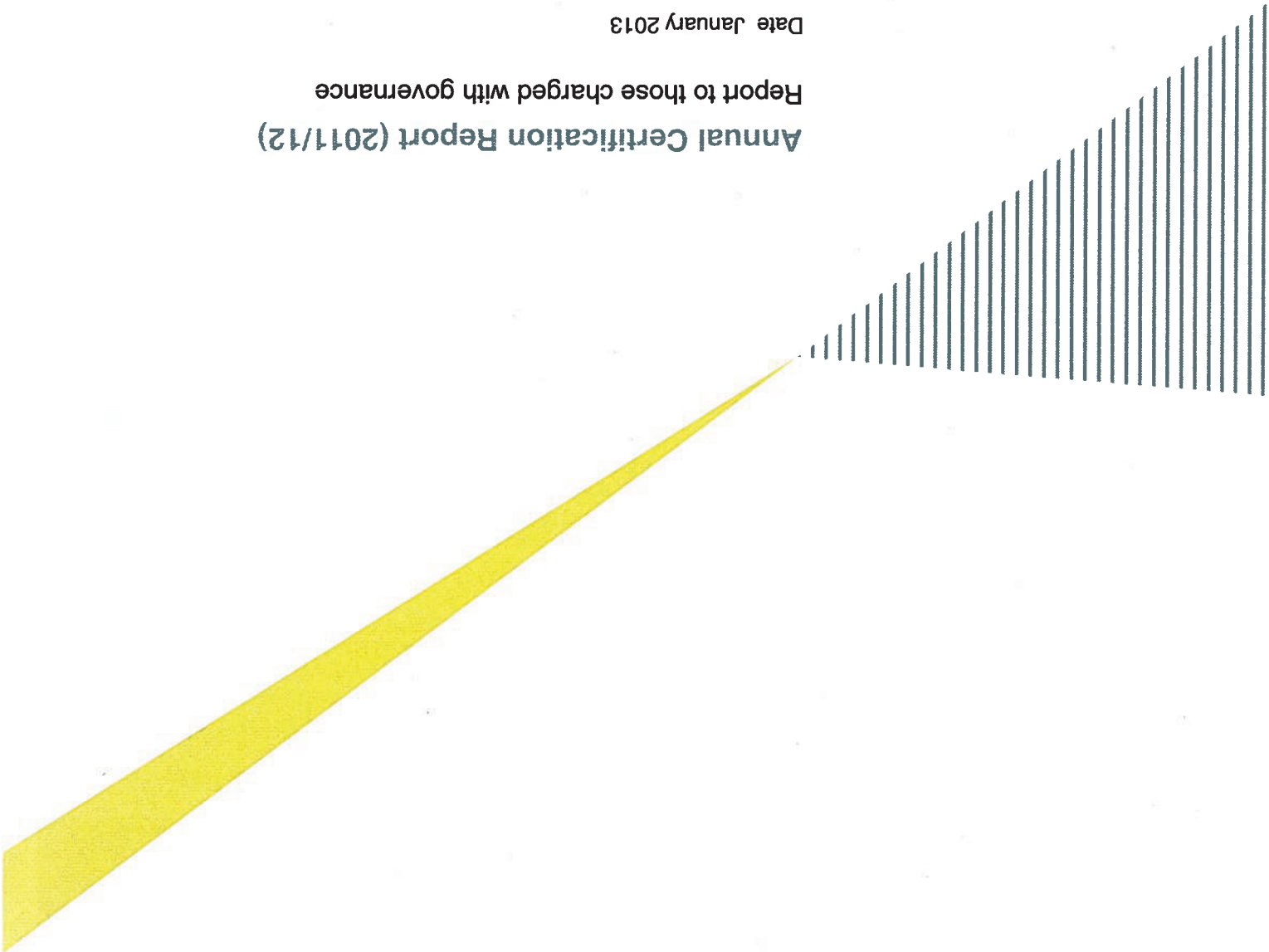
12. **Certification of claims and returns 2011/12** (Pages 2 - 9)
To consider the external auditor's report.



Ernst & Young LLP

Date January 2013

Annual Certification Report (2011/12)
Report to those charged with governance





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17 January 2013

The Members of the Audit and Governance Committee
Vale of White Horse District Council
Abbey House
Abingdon
Oxfordshire
OX14 2JE

Dear Member

Annual Certification Report (2011/12)

We are pleased to attach the annual certification report for the forthcoming meeting of the Audit and Governance Committee. This report summarises the results of certification work that has been undertaken by both Audit Commission and Ernst and Young staff 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 required 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 the appointed auditors of the Council set out the work the auditor must undertake before issuing our certificate. The auditor certifies 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 Audit and Corporate Governance Committee, and is prepared for the sole use of the audited body. Following the appointment of Ernst & Young as auditor for the year ended 31 March 2013

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

Partner
Ernst & Young LLP
United Kingdom
Enc.

David Wilkinson

Yours faithfully
For and on behalf of Ernst & Young LLP

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting scheduled on 30 January 2012.

Fees for certification work are summarised in appendix A.

I would like to draw your attention to the level of error within the non HRA rent rebates section of the Housing Benefit claim. This is an area where there are comparatively very few claims (total 103). These cases can be complicated and are based on mainly manually inputted data. The level of error in these claims and the time taken to audit and agree amendments to the claim was disproportionate to both the number and value of claims. Effective data cleansing of non HRA cases in advance of subsidy submission would significantly reduce audit time, as well as reducing the impact on Capita benefit staff in resolving queries. In this instance the errors if undiscovered by our testing would have resulted in lost subsidy to the Council.

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

The Housing Benefit Subsidy claim was subject to both amendment and qualification. Details of these are included in section 2. The amendment affected the grant due to the Council, increasing it by £6,963.

During the period August 2012 to October 2012 the Audit Commission's Audit Practice undertook initial certification work on the Housing Benefit Subsidy claim. The Audit Commission arranged for this work to be completed by Ernst and Young under handover arrangements between 1 November 2012 and 30 November 2012. The claim was certified on 28 November 2012.

During the period April 2012 to October 2012 the Audit Commission's Audit Practice certified one return with a value of £50,030,961. This work was completed prior to Ernst & Young being appointed auditor. Neither of these claims was qualified or amended.

Results of certification work

With regard to the housing benefit certification, work was not completed by 31 October, and was subject to handover arrangements agreed with the Audit Commission. The Housing Benefit certificate was issued by Ernst and Young on 28 November 2012.

We have been requested to prepare this Annual Certification in respect of the year 2011/12. The majority of the certification work reported on herein was performed by Audit Commission staff prior to 31 October and therefore not under the direction and supervision of Ernst & Young and accordingly we take no responsibility to the council nor to any third party for the work undertaken.

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1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Completed by the Audit Commission				
National non-domestic rates return	LA01	40,731,952	-	

Handed over to Ernst & Young for completion

Housing and council tax benefit scheme	BEN01	31,251,351	A,Q	Adjustments had to be made to non HRA rent rebates for six different types of error.
				<ul style="list-style-type: none"> ▶ 1 case of misclassification of overpayment ▶ 1 case where changed tax credit information not updated ▶ 1 case where Incorrect cap applied to rent level ▶ 19 cases where overpayments shown as non HRA when claimants moved between benefit types. ▶ 4 cases where case was incorrectly set up as non HRA instead of RA, but the overpayment was shown as claimant error no local authority error ▶ 4 cases where, although the cases were set up as Vale non HRA instead of South Oxfordshire District Council, the overpayments were shown as claimant error on the subsidy claim. <p>The entire populations for each of the error types above had to be examined to agree adjustments. Due to the different subsidy rules relating to how benefit is reimbursed by DWP, the adjustments resulted in increased overall subsidy payment to the Council.</p>

Qualification –some parameters had been grouped rather than input separately. Whilst unlikely to have any significant impact on benefit paid, DWP require this to be reported.

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/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	Agreed action plan
Housing benefit subsidy	As noted in the previous year, some parameters had been grouped rather than input separately.	Capita, on behalf of the Council, have confirmed that individual parameters have been uploaded for 2012/13.

Appendix A Certification Fees

Claim/Return	2010/11 Actual £	2011/12 Actual £
National non domestic rates (1)	1,359	4,046
Housing Benefit Subsidy (2)	30,866	28,736
Total	*32,225	32,782

* this does not include the disabled facilities grant which is no longer subject to certification

- (1) In line with Audit Commission requirements this claim was subject to full audit in 2011/12 rather than on a risk assessed basis.
- (2) The 2010/11 fee included £11,000 for additional work required by DWP. The 2011/12 fee has not significantly reduced from this level due to the significant additional work required on non HRA housing benefit claims.

