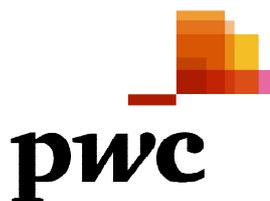

Certification Report (2010/11) Report to those charged with governance

*Certification Report to
those charged with
governance 2010/11*

February 2012





The Members of the Audit Committee
London Borough of Bromley
Bromley Civic Centre
Stockwell Close
Bromley
BR1 3UH

2nd February 2012

Our Reference: LBB Certification Report 2011

Ladies and Gentlemen

Subject: **Certification Report (2010/11)**

We are pleased to present our Annual Certification Report summarising the results of our 2010/11 certification work. We look forward to presenting it to members on 1 February 2012. The purpose of this report is to provide a high level overview of the results of certification work we have undertaken at the London Borough of Bromley on 2010/11 claims and returns that is accessible for members and other interested stakeholders. Fees for 2010/11 certification work are summarised in Appendix A.

Results of Certification work

During the period 13 June 2011 to 21 December 2011 we certified five (2009/10: eight claims claims and returns worth a total of £238,996,155 (2009/10: £232,358,742)). Of these, none were amended following certification work undertaken and one required a qualification letter to set out an issue arising from the certification of the claim/return. We set out further details in the attached report.

We identified no issues relating to the Authority's arrangements for preparation of claims and returns. We have not included every issue identified here, but instead focus on those which have (or could have) a material impact on the amount of a claim or return or on the accounts.

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2010/11 set out in Appendix B, and;
- the adequacy of progress made in implementing the prior year action plan (Appendix C).

Yours faithfully,

PricewaterhouseCoopers LLP

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Introduction

Introduction

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements and on value for money.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns

In November 2010 the Audit Commission updated the ‘Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns’. This is available from the Audit Commission’s website.

The purpose of this statement is to summarise the Audit Commission's framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission's appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

Results of Certification Work

Results of Certification Work

Claims and returns certified

A summary of the claims and returns certified during the year is set out below. In one case a qualification letter was required to set out an issue arising from the certification of the claim/return. None of the claims/returns were amended following the certification work undertaken. None of the issues identified had a material impact on the Council's statement of accounts. Four deadlines for submission of certified claims/returns were met, with one submission, for BEN01 being submitted after the due date.

Claims and returns certified in 2010/11

CI Reference	Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
EYC 02	Sure start, early years and childcare grant	2010-11 AFS	£13,449,298	£13,449,298	£0	No
BEN01	Housing and council tax benefits scheme	MPF720A	£128,733,944	£128,733,944	£0	Yes
LA01	National non-domestic rates return	NNDR3	£74,302,753.92	£74,302,753.92	£0	No
PEN05	Teachers' pensions return	TR17	£21,770,159	£21,770,159	£0	No
HOU21	Disabled facilities	DFG 2010D3	£710,000	£710,000	£0	No

Issues arising

Non compliance with regulations/ terms and conditions

One issue was identified in our certification of the Housing and council tax benefits scheme data returns. The risks of not addressing this issue and our recommendation for improvement are set out in the table below.

Compliance issues

Claim/Return (deadline)	Issue	Risk to the Authority	Recommendation
Housing and council tax benefits scheme (BEN 01) (31 Nov 2010)	<p>During our testing we identified one occasion where the Authority made a payment for Non-HRA housing benefits for one claimant in duplicate. An error caused an individual to be paid twice for the period 01 November 2010 to 08 November 2010. This resulted in an overpayment of £207.90.</p> <p>This was caused by the introduction of a new interface between Academy Benefits and the LBB Anite rents system in November 2010.</p> <p>This was not adjusted in the 2010/11 claim form. The Authority has confirmed that an LA error overpayment will be created and recorded in the subsidy claim 2011/12 reducing the amount of subsidy claimed for the error noted."</p>	<p>The return has been qualified to reflect the error for 2010/11 and a letter sent to the Department setting out the facts.</p> <p>If these errors recur they could have a financial impact on the subsidy receivable and cause misstatement of the accounts.</p> <p>This resulted in us having to carry out additional testing which had an impact on the cost of our work on this grant.</p>	<p>The Authority should ensure there are sufficient controls in place to review calculations, particularly with regard to changes in systems and interfaces.</p>

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2010/11. Details can be found in Appendix C. Overall the Authority has made good progress and all recommendations from 2009/10 appear to have been implemented as the issues identified in 2009/10 have not arisen again in 2010/11.

Appendices

Appendix A:

Certification Fees

The fees for certification of each claim/return are set out below:

Claim/Return	2010/11 (£)	2009/10 (£)	Comment
Sure start, early years and childcare grant	3,000	2,990	Immaterial variance.
Housing and council tax benefits scheme	27,500	28,580	Immaterial variance.
National non-domestic rates return	6,250	6,326	Immaterial variance.
Teachers' pension return	5,000	5,026	Immaterial variance.
Disabled facilities	3,500	3,969	Immaterial variance.
RG31 Single programme (LDA) - Youth Officer	0	3,568	Grant expired in 2009/10
RG31 Single programme (LDA) Childcare Affordability Programme Phase 1	0	2,255	Grant expired in 2009/10
RG31 Single programme (LDA) Childcare Affordability Programme Phase 2	0	1,310	Grant expired in 2009/10
	45,250	53,668	

These fees reflect the Authority's current performance and arrangements for certification. It may be possible to reduce future fees should the Authority improve its performance by implementing the following:

- **Coordination:** assigning a key member of staff with responsibility to liaise with auditors and claim/return preparers in order to coordinate and improve certification arrangements across the authority.
- **Review:** improving accuracy of claims/returns submitted for certification by requiring independent review.
- **Documentation:** improving working papers and quality of evidence available to support the claim/return.
- **Assurance:** involvement of internal audit, where appropriate, to provide assurance over certain aspects of claims/returns.

We are happy to discuss how we may assist further with your improvement, for example we can perform specific focussed, risk-based work in this area should that be required.

Appendix B:

2010/11 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Housing and council tax benefits scheme (BEN 01)	<p>During our testing we identified one occasion where the Authority made a payment for Non-HRA housing benefits for one claimant in duplicate. An error caused an individual to be paid twice for the period 01 November 2010 to 08 November 2010. This resulted in an overpayment of £207.90.</p> <p>This was caused by the introduction of a new interface between Academy Benefits and the LBB Anite rents system in November 2010.</p> <p>This was not adjusted in the 2010/11 claim form. The Authority that an LA error overpayment will be created and recorded in the subsidy claim 2011/12 reducing the amount of subsidy claimed for the error noted."</p> <p>This resulted in a qualification letter being issued alongside the 2010/11 return.</p>	The Authority should ensure there are sufficient controls in place to review calculations, particularly with regard to changes in systems and interfaces.		

Appendix C:

2009/10 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Recommendation Status
Single Programme Youth Officer, Childcare Affordability Phase 1 and 2 (RG31) (31 July 2010)	During the certification we noted that in some instances the officers responsible for the grant claim were not aware of the certification requirements and the testing to be performed by PwC.	We will work with the Council in preparation for the 2010/11 grants certification work to ensure that all responsible officers are aware of the work that is likely to be undertaken on each grant claim.	Not applicable. We were not required to certify this grant in 2010/11.
Housing and council tax benefits subsidy (BEN 01) (30 Nov 2010)	<p>The testing of this grant requires us to provide assurance that the entries in each section of the form (non-HRA rent rebates, rent allowances, council tax benefits) have been completed in accordance with the guidance.</p> <p>During our 2009/10 certification of the claim our initial sample identified one error in council tax benefits where a period of overpayment had been classified as an eligible overpayment when it was a technical overpayment. Further testing identified eight similar cases. The total errors in council tax benefits were £506.54.</p> <p>In rent allowances two errors were noted in our initial testing where a claimant with a regulated tenancy</p>	<p>Officers may wish to review the current checking processes in place to ensure the level of accuracy of claims is appropriate.</p> <p>By testing a sample of claims the Council may gain additional assurance that claims are appropriate and comply with the relevant regulations in these areas.</p>	<p>Our testing of council tax benefits identified no classification errors with regard to overpayments.</p> <p>Our testing of rent allowances identified no calculation errors in 2010/11.</p> <p>Our testing of rent rebates in 2010/11 identified one example of a duplicate payment due to the introduction of a new IT interface. This was not adjusted in the 2010/11 claim and a qualification letter was issued.</p>

Claim/Return (deadline)	Issue	Recommendation	Recommendation Status
	<p>had been classified as having a standard tenancy and where the Council had been made aware of revised tax credits but had not calculated the claim correctly. Further testing did not identify any further errors in rent allowances. The total errors in rent allowances were £4,825.05.</p>		
	<p>We were required to qualify the grant due to the issues noted above.</p>		

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