

*Annual Certification Report
to those charged with governance
2011/12*
London Borough of Bromley

*Government and
Public Sector –
Annual Certification
Report to those
charged with
governance*

March 2013



The Members of the Audit Sub-Committee
London Borough of Bromley
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Stockwell Close
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13 March 2013

Ladies and Gentlemen

Annual Certification Report (2011/12)

We are pleased to present our Annual Certification Report which provides members of the Audit Sub-Committee with a high level overview of the results of certification work we have undertaken at the London Borough of Bromley in 2011/12.

We have also summarised our fees for 2011/12 certification work in Appendix A.

Results of Certification work

For the period ended 31 March 2012 we certified three claims and returns worth a final net total of £228,644,531.05. Of these, none were amended following certification work undertaken and one required a qualification letter to set out matters arising from the certification of the claim or return. We set out further details in the attached report.

We identified a number of matters relating to the Authority's arrangements for preparation of claims and returns during the course of our work, some of which were of a minor nature. The most important of these matters have been brought to your attention in this report.

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We ask the Audit Sub-Committee to consider:

- the adequacy of the proposed management action plan for 2011/12 set out in Appendix B, and;
- the adequacy of progress made in implementing the prior year action plan in Appendix C.

Yours faithfully,

PricewaterhouseCoopers LLP

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Introduction

Scope of work

Grant-paying bodies pay billions of pounds in subsidies and grants 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 which reaches a conclusion but does not express an opinion. 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; where this is not the case matters are raised in a ‘qualification letter’.

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. Our role is to act as ‘agents’ of the Audit Commission when undertaking certification work; certification work is not an audit but a different form of assurance engagement, the precise nature of which will vary according to the claim or return; we are required to carry out work and complete the auditor certificate in accordance with the arrangements and requirements set by the Commission.

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.

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.

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. 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.

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 matters arising from the certification of the claim/return;
- none of the claims/returns were amended following the certification work undertaken;
- all deadlines for submission of certified claims/returns were met, and;
- fee information for the claims and returns is summarised in Appendix A.

Claims and returns certified in 2011/12

CI Reference	Scheme Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	138,473,916.00	138,473,916.00	No	Yes
LA01	National Non Domestic Rates Return	NNDR3	79,040,772.66	79,040,772.66	No	No
PEN05	Teacher's Pension Return	TR17	11,129,842.39	11,129,842.39	No	No

Matters arising

The most important matters we identified through our certification work are summarised below. Further detail can be found in Appendix B.

Housing and Council Tax Benefits Scheme 2011/12

Our testing identified a number of errors in relation to the Authority's compliance with Housing and Council Tax Benefit regulations. We reported a number of matters to the DWP in a qualification letter where no amendment was proposed as the two underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. This is because there is no eligibility to subsidy for benefit which has not been paid.

In summary, the matters related to ensuring that the correct:

- system parameters are applied;
- rent rate is used considering property location, and;
- calculation of earned income is included in benefit calculations.

All of these error types have not been identified in previous years.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2010/11. Details can be found in Appendix C.

Appendices

Appendix A

Certification Fees

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

Claim/Return	2011/12 (£)	2010/11 (£)	Comment
BEN01 Housing and Council Tax Benefits Scheme	27,500	27,500	
LA01 National Non Domestic Return (NNDR)	6,250	6,250	
PEN05 Teacher's Pension Return	5,000	5,000	
EYCO2 Sure Start, Early Years and Childcare Grant	-	3,000	The Audit Commission did not require the claim to be certified during 2011/12
HOU21 Disabled Facilities	-	3,500	The Audit Commission did not require the claim to be certified during 2011/12
Total	38,750	45,250	

These fees reflect the Authority's current performance and arrangements for certification, and are the finalised figures.

Prior to the commencement of 2011/12 certification work we discussed with the Authority the ways in which we can help to improve the level of communication around issues we experience in the completion of our certification work, issues which may impact ultimately impact on certification fees.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, time and issues.

At the same time, we welcome closer scrutiny by officers of any certification claims submitted to us for review and continued efforts to ensure that the quality of evidence available to support claims/returns is appropriate. The Authority's performance may also be improved by ensuring prior year qualification issues are reviewed and controls assessed to mitigate against similar errors occurring in future periods.

The Authority can continue to improve its performance by:

- reviewing the final claim / return against supporting working papers to ensure there are no discrepancies;
- reviewing guidance issued by the grant paying body in relation to the claim / return and completion; and
- ensuring the adequacy of evidence to support the claim / return entries.

Appendix B

2011/12 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
BEN01 Housing & Council Tax Benefit Scheme (30/11/12)	<p>As part of our certification work, we were required to complete a checklist to ensure the Authority's housing and benefit system is using the correct benefit parameters to calculate benefit entitlement and to claim subsidy.</p> <p>Upon review, it was noted a non-dependent deduction for "gross income not less than £122.00 but less than £180.00" was incorrectly set-up on the Authority's housing and benefit system. It have should been stated £21.55 but had been input as £21.59.</p> <p>The Authority performed an exercise to interrogate the benefits system and confirmed the total value of the issue was an underpayment was £175.55. We reviewed this exercise and did not identify any further errors.</p> <p>No adjustment was made to the claim form as no benefit was awarded. This is because there is no eligibility to subsidy for benefit which has not been paid.</p> <p>This finding resulted in a qualification letter being issued alongside the 2011/12 return.</p>	<p>The Authority should ensure that the correct system parameters are applied and up-rated for each financial year.</p> <p>It is recommended that the 2012/13 parameters are reviewed to ensure they have been correctly up-rated.</p>	<p>The parameters used for 2012/13 have been checked and are correct.</p> <p>This is now complete.</p>	Jayne Carpenter
BEN01	Testing of the initial sample for Rent rebates (Tenants of Non-HRA	The Authority should ensure that the correct rent rate is used considering	The Department who is responsible for inputting the rents figures has been advised	Jayne Carpenter

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Housing & Council Tax Benefit Scheme (30/11/12)	<p>Properties) identified:</p> <ul style="list-style-type: none"> 1 case where benefit had been underpaid as a result of processing delays in updating the rental cost; and 1 case where benefit had been underpaid as a result of the Authority miscalculating the claimant's average weekly income. <p>No adjustment was made to the claim form as no benefit was awarded. This is because there is no eligibility to subsidy for benefit which has not been paid.</p> <p>This finding resulted in a qualification letter being issued alongside the 2011/12 return.</p>	<p>where the property is located.</p> <p>The Authority should ensure that the correct earned income is calculated.</p>	<p>and is being monitored.</p> <p>Checking of the income used in benefit calculations is part of the daily accuracy monitoring that is undertaken by the Benefit Monitoring Team.</p>	
PEN05 Teacher's Pension Return (30/11/12)	<p>Testing of the Teacher's Pension Return noted two issues:</p> <ol style="list-style-type: none"> The Schools Finance team were unable to confirm the date a school converted to an Academy, as they did not obtain and keep any evidence. Therefore, there could be a risk regarding the completeness of the return. For one school it was noted that during the financial year 2011/12 it came off the Authority's payroll system in order to establish its own payroll service. <p>However, the Schools Finance Team was not formally informed as no documentation is retained to confirm when a school comes off the Authority's payroll system.</p>	<p>The Schools Finance team should ensure that a transfer agreement signed between the Authority and the Education Funding Agency is obtained and retained on file.</p> <p>In addition, the Schools Finance team should be in regular contact with the Authority's payroll provider to confirm which schools are still on the Authority's payroll function.</p>	<p>The Schools Finance Team will endeavour to obtain the necessary documentation to confirm the date of academy conversion for each school. However, it should be noted that of there are particular issues to be resolved, the transfer agreement is sometimes not signed until several months after the date of conversion.</p> <p>The Schools Finance Team works very closely with the LA's payroll provider and will be able to provide full details of which schools use this system.</p>	Mandy Russell

Appendix C

2010/11 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Recommendation Status
BEN 01 Housing & Council Tax Benefit Scheme (30/11/11)	<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 Authority's 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>	<p>The Authority should ensure there are sufficient controls in place to review calculations, particularly with regard to changes in systems and interfaces.</p>	<p>Our testing of the Housing & Council Tax Benefit Scheme identified no errors with regard specifically to duplicate payments.</p> <p>Our testing of for Rent rebates (Tenants of Non-HRA Properties) in 2011/12 identified two instances of underpayments due to incorrect calculations.</p> <p>This was not adjusted in the 2011/12 claim on account of how there is no eligibility to subsidy for benefit which has not been paid. However, a qualification letter was issued.</p>

Glossary

Audit Commission Definitions for Certification work

Abbreviations used in certification work are:-

‘appointed auditor’ is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

‘assurance engagement’ is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

‘auditor’ is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

‘authorities’ means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

‘certification instructions’ (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

‘certify’ means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

‘claims’ includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

‘Commission’ refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

‘grant-paying bodies’ includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

‘returns’ are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

‘Statement’ is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

‘underlying records’ are the accounts, data and other working papers supporting entries on a claim or return.



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