

*Annual Certification Report  
to those charged with  
governance 2012/13*  
London Borough of Bromley

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

*February 2014*



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

21 February 2014

Our Reference: LBB 2012/13

Ladies and Gentlemen

### **Annual Certification Report (2012/13)**

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 London Borough of Bromley in 2012/13.

We have also summarised our fees for 2012/13 certification work in Appendix A.

### **Results of Certification work**

For the period ended 31 March 2013, we certified three claims and returns worth a final net total of £236,442,336. Of these, two required qualification letters to set out matters arising from the certification of the claim or return and one was amended. We have 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 2012/13 set out in Appendix B, and
- the adequacy of progress made in implementing the 2011/12 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 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.

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## *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 in the table below. In two cases qualification letters were required to set out matters arising from the certification of the claim/return and amendments were required to be made to claims /returns as set out in the table below. Fee information for the claims and returns is summarised in Appendix A.

### Claims and returns certified in 2012/13

CI Reference	Scheme Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	145,704,178	145,699,834	Yes	Yes
LA01	National Non Domestic Rates Return	NNDR3	81,599,811	81,599,811	No	No
PEN05	Teachers' Pension Return	EOYCd	9,142,691	9,142,691	Yes*	No*

\*A qualification letter was required to be sent to the Teachers Pensions setting out amendments required to the certified return.

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## *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*

Our testing identified four errors that were reported to the Department for Work and Pensions (DWP) in a qualification letter.

One amendment was required to the claim that resulted in a decrease in the claim value of £4,344.

### *Teachers' Pension return*

A tiered contribution system was implemented in 2012/13 for the first time in accordance with the pension regulations for teachers. This increased the inherent complexity in the preparation of the return.

We reported two matters requiring amendment to the Teacher's Pension Agency as the Authority was unable to amend the return for these.

### *National Non-Domestic Rates return*

No issues noted.

### *Prior year recommendations*

We have reviewed progress made in implementing the certification action plan for 2012/13. Details can be found in Appendix C.

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# *Appendices*

# Appendix A

## Certification Fees

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

Claim/Return	2012/13 Indicative Fee * (£)	2012/13 Variation * (£)	2012/13 Forecast outturn Fee (£)	2011/12 Final Fee (£)	Comment
BEN01 Housing and Council Tax Benefits Scheme	16,500	8,575	25,075	27,500	Variation required covering the cost of performing additional work regarding issues identified in 2012/13 and in relation to the satisfactory clearance of issues carried forward from the prior year. As a result, amendments to be made to the claim needed to be agreed.
LAO1 National Non Domestic Return ("NDR")	3,750	0	3,750	6,250	
PEN05 Teacher's Pension Return	3,000	1,660	4,660	5,000	<p>The terms and conditions of the return changed significantly as a "tiered contribution" rates system was implemented in 2012/13 for the first time.</p> <p>This increased the complexity of the preparation and certification of the return.</p> <p>Our initial sample of 25 teachers included four teachers that were in receipt of maternity pay. However, the Authority did not take this into account when banding teachers into the appropriate category.</p> <p>Additional testing was therefore performed over the remaining population of 79 teachers in receipt maternity pay to identify the extent of the error. A further 36 teachers were identified.</p>
<b>Total</b>	<b>23,250</b>	<b>10,235</b>	<b>33,485</b>	<b>38,750</b>	

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These fees reflect the Authority's current performance and arrangements for certification.

It should be noted that the Audit Commission updated the fee approach for certification in 2012/13. This applied a 40% discount to the 2010/11 billed fee. Fees above this level are required to be agreed with the Audit Commission.

The variances set out above have arisen due to the increased amount of testing needed to address the errors identified from the testing undertaken. The indicative fee set assumes no errors will be identified during the testing. We have agreed the variances above with the Audit Commission and with management.

# Appendix B

## 2013/14 Management Action Plan

Claim/Return Issue (deadline)	Recommendation	Management response	Responsibility (Implementation date)	
Housing and Council Tax Benefit Scheme (BEN 01) (30/11/2013)	From our initial sample of 60 cases we identified five case failures in respect of errors in the entry of income tax paid, the classification of council tax overpayments in relation to students, incorrect input of the underlying rent liability and errors in the input of National Insurance rates. These failures resulted in further testing being performed and reported upon as well as amendments to the claim form.	While the issues noted were relatively minor in the context of the complexity of the BENO1 claim, we recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.	Officers have received refresher training in the specific areas that were identified during testing. This is in addition to the continual programme of training that is provided to both new and established staff.  Checking of benefit calculation is part of the daily accuracy monitoring undertaken by the Benefit Monitoring team.	Jayne Carpenter Completed
Teachers Pensions (PEN 05) (29/11/2013)	Testing of an initial sample of 25 teachers' salaries identified four where the incorrect salary banding had been applied due to the teacher being on statutory maternity pay. The Authority was able to identify all teachers that were on statutory maternity pay during the year and checked the salary bandings applied. The Authority identified a further 36 exceptions out the 79 cases identified.	We recommend that Liberata ensures that it reviews the contribution rates applied on a periodic basis to ensure that these are accurate.	Following the audit of the Teachers Pension Scheme 2012-2013, Liberata have designed an action plan to address the issues identified. All of the issues raised during the review were around the contributions calculated for Teachers on maternity leave, or where they had returned from maternity leave.  The action plan includes: <ul style="list-style-type: none"> <li>• Full and comprehensive re-training for the Payroll Team on the correct process to follow when a Teacher commences maternity leave. This training to also highlight the implications on member contributions if the correct procedure for attaching the relevant pay elements is not used.</li> <li>• In relation to the above point, re-training on the procedure to follow where</li> </ul>	Martin Simpson 3/3/14

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**Claim/Return Issue  
(deadline)****Recommendation****Management response****Responsibility  
(Implementation date)**

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- attaching pay elements for a Teacher who returns from Maternity leave.
- A new monthly checking report to include all Teachers FTE salary and the associated salary band that has been operated. This report will be run directly after the monthly re-banding process and will be checked to assess that the correct banding has been applied, with any amendments to be made in the current payroll cycle if any records are found to be incorrect.
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# Appendix C

## 2012/13 Management Action Plan – Progress made

Claim/Return Issue (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation status
Housing and Council Tax Benefit Scheme (BEN01) (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	Implemented

Claim/Return Issue (deadline)	Recommendation	Management response	Responsibility (Implementation date)	Recommendation status
<p>Housing and Council Tax Benefit Scheme (BEN01) (30/11/12)</p> <p>Testing of the initial sample for Rent rebates (Tenants of Non-HRA Properties) identified:</p> <ul style="list-style-type: none"> <li>1 case where benefit had been underpaid as a result of processing delays in updating the rental cost; and</li> <li>1 case where benefit had been underpaid as a result of the Authority miscalculating the claimant's average weekly income.</li> </ul> <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 rent rate is used considering where the property is located.</p> <p>The Authority should ensure that the correct earned income is calculated.</p>	<p>The Department who is responsible for inputting the rents figures has been advised 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>	Jayne Carpenter	Implemented
<p>Teachers Pensions (PEN05) (30/11/12)</p> <p>Testing of the Teacher's Pension Return noted two issues:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol> <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 if 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	Implemented

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# Glossary

## Audit Commission Definitions for Certification work

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### Abbreviations used in certification work are:

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**‘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](http://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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