

Annual Certification Report (2011/12)

Report to those charged with governance

Date January 2013

Ernst & Young LLP



Ernst & Young LLP 1 More London Place London SE1 2AF

Tel: 020 7951 2000 Fax: 020 7951 1345 www.ey.com/uk

The Members of the Audit and Corporate Governance Committee
South Oxfordshire District Council
Crowmarsh Gifford
Oxfordshire
OX10 8ED

17 January 2013

Dear Member

Annual Certification Report (2011/12)

We are pleased to attach the annual certification report for the forthcoming meeting of the Audit and Corporate 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

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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.

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.

Results of certification work

During the period April 2012 to October 2012 the Audit Commission's Audit Practice certified two claims and returns with a total value of £40,995,533. This work was completed prior to Ernst & Young being appointed auditor. Neither of these claims was qualified or amended.

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.

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, reducing it by £14,679.

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

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 46). 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 is 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.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Corporate Governance Committee meeting scheduled on 29 January 2012.

Yours faithfully

For and on behalf of Ernst & Young LLP

David Wilkinson

Partner Ernst & Young LLP United Kingdom

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Contents

1.	Summary	of 2011/12 Certification Work	. 1
2.	Qualificat	ions in respect of 2011/12 certification work	. 2
Арр	endix A	Certification Fees	. 3

Summary of 2011/12 Certification Work

Summary of 2011/12 Certification Work

		17.5		
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	t Commission			
Pooling of housing capital receipts	CFB06	263,581	i	
National non-domestic rates return	LA01	40,731,952	•	

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Young 1
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over
Handed

Adjustments had to be made to	incorrect classification of benefit
Ą	
34,771,114	
BEN01	
Housing and council tax BEN01	benefit scheme

Adjustments had to be incorrect classification Adjustment for rent allc landlord rules where t benefit £14,452. Adjustment to council award of single person but no loss of subsidy.	td to be mi fication of rent allowar where the l council tax person dis ubsidy.	ade to no benefit nce cases landlord benefit count. In	type. Lo s calcular was not for isolat	Adjustments had to be made to non HRA rent rebates due to incorrect classification of benefit type. Loss of benefit £227 Adjustment for rent allowance cases calculated under registered landlord rules where the landlord was not registered. Loss of benefit £14,452. Adjustment to council tax benefit for isolated case of missed award of single person discount. Increased local authority error but no loss of subsidy.
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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.

Two further qualifications were reported for RA cases, one for errors in entering tax credits and one for failing to update capital. Initial and 40+ testing found either underpayment of, or no impact on, benefit resulting from these errors. DWP require these to be reported to them. The potential for there to be overpayments as a result of these types of errors in the large RA caseload was also reported.

Qualifications in respect of 2011/12 certification work S

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
	Testing identified 2 errors in recording tax credits leading to underpayments.	Corrections for these errors will be made in 2012/13.
	An increase in capital had not been applied without due cause being recorded. This had no impact on benefit for the case identified.	Capita, on behalf of the Council, will remind staff of the need to record clearly any reasons for not updating capital information.

Certification Fees Appendix A

Claim/Return	2010/11	2011/12
	Actual	Actual
	3	G
Pooling of housing capital receipts	414	300
National non domestic rates (1)	1359	3784
Housing Benefit Subsidy (2)	23,953	28,038
Total	*25,726	32,122

- In line with Audit Commission requirements this claim was subject to full audit in 2011/12 rather than on a risk assessed basis. $\widehat{\Xi}$
- The increase in fee is largely due to the additional work required to quantify the adjustments to the claim for non HRA cases. (2)

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