



**Annual Certification Report (2011/12)**

Report to those charged with governance

January 2013

Ernst & Young LLP

 **ERNST & YOUNG**

**The Members of the Audit Committee**

Dacorum Borough Council  
Civic Centre  
Marlowes  
Hemel Hempstead  
HP1 1HH

xx January 2013

Dear Sirs

**Annual Certification Report (2011/12)**

We are pleased to attach the annual certification report for the forthcoming meeting of the Audit Committee. This report summarises the results of certification work that has been undertaken by Audit Commission staff (to 31 October 2012) and Ernst and Young (completing work on the Council's claim for Housing and Council Tax Benefit subsidy).

**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 grant-paying bodies require 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 appointed auditors set out the work the auditor must undertake before issuing a certificate. The auditor certifies grants and claims as they arise throughout the year to meet the auditor certification deadlines set by 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 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 we have been requested to prepare this Annual Certification Report in respect of the year 2011/12. With the exception of the Council's claim for Housing and Council Tax Benefit subsidy, most 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. Accordingly we take no responsibility to the council nor to any third party for that work.

### **Results of certification work**

During the period September to October 2012 the Audit Commission's Audit Practice certified 3 claims and returns with a total value of £80,229,999. In November 2012, we certified the Council's claim for Housing and Council Tax Benefit subsidy. This claim had a total value of £53,314,907.

Of the 4 claims certified, 2 were amended, and the Council's claim for Housing and Council Tax Benefit subsidy was both amended and subject to a qualification letter. These amendments affected the grant due to the Council. Details of the matters giving rise to our qualification are included in section 2.

As in previous years the main area of certification work in terms of time spent and fees was on the Council's claim for Housing and Council Tax Benefit subsidy. In accordance with the methodology agreed between the Department for Work and Pensions and the Audit Commission, initial testing was undertaken on all four benefit types (Housing Revenue Account (HRA) and Non HRA Rent Rebates, Rent Allowances and Council Tax) with additional testing being undertaken on each of the cells where an error was identified in the previous year. Additional testing was required on 7 cells.

While our testing of the Council's 2011/12 claim identified a number of errors, the errors found as a proportion of the cases tested fell significantly between 2010/11 and 2011/12 (from 13% in 2010/11 to 5% in 2011/12). This indicates the steps taken by the Council in recent years to strengthen quality control processes within the Revenues and Benefits team is beginning to have an impact in reducing the number of claims assessed incorrectly, and the number of overpayments classified incorrectly. We are aware that the Council has undertaken specific actions in 2012 aimed at further reducing the level of error. These include:

- The establishment of a joint training post with a neighbouring authority, increasing the amount of technical training available to staff.
- Working in partnership with Liberata to develop an improved performance management framework.

The timing of the actions taken by the Council means their impact is not reflected in our work on the Council's 2011/12 claim. We will report further on the impact of these actions in our 2012/13 report.

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

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 Committee meeting scheduled on 6 February 2013.

Yours faithfully  
For and on behalf of Ernst & Young LLP

Mark Hodgson  
Ernst & Young LLP  
United Kingdom  
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## 1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value	Qualification, Amendment, or Neither	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	£53,314,907 <sup>1</sup>	Qualification and Amendment	<p>Where the results of our testing allowed us to conclude that an adjustment to a cell would result in it being fairly stated, the claim was amended. Amendments to the claim reduced the subsidy due to the Council by £317.</p> <p>Details of the matters giving rise to our qualification of this claim are set out in section 2.</p>
Pooling of housing capital receipts	CFB06	£1,396,842 <sup>2</sup>	Amendment	The Council incorrectly included within the claim the disposal costs arising from the sale of dwellings. This amendment increased the Council's pooling liability by £2,915.
National Non-Domestic Rates Return	LA01	£58,829,062 <sup>2</sup>	Amendment	Testing identified several instances of the start date for transitional relief being incorrectly recorded in NNDR system. The Council checked the start date for all awards of transitional relief, and corrected all errors prior to auditor certification of the claim. This amendment increased the Council's pooling liability by £19,584.
Housing Revenue Account Subsidy	HOU01	£20,004,095 <sup>2</sup>	Neither	

1 - Denotes claims where the amount is received from the grant paying body.

2 - Denotes claims where the amount is paid to the grant paying body.

## 2. Qualifications in respect of 2011/12 certification work

The certificate issued 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 and Council Tax Benefit Subsidy Claim	<p>We qualified the entries in respect of 6 cells within the Council's claim. The reasons for our qualification included:</p> <ul style="list-style-type: none"> <li>• An error in the assessment of a claimant's income, leading to underpayment of benefit (1 instance affecting 1 cell).</li> <li>• Errors in the calculation and/or classification of overpayments (18 instances affecting 8 cells).</li> </ul> <p>The Department for Work and Pensions will consider the findings set out in our qualification letter and notify the Council of any impact on the level of subsidy due to the Council.</p>	<p>As noted above, the Council has taken steps in recent years to improve the effectiveness of the quality control processes within the Revenues and Benefits team. These have resulted in a reduction in the number of errors identified by our testing. The Council has taken further steps to improve these processes in 2012, although the impact of these is yet to be seen.</p> <p>We have no further observations to make at this stage, but will report on the impact of the further actions taken by the Council in our 2012/13 certification report.</p>



### 3. Progress on previous auditor recommendations

This section summarises the progress made in implementing recommendations made in the previous year arising from certification work.

Agreed action	Deadline	Current status
<p>The Council would nominate an officer who would review working papers prepared in support of grants claims/returns, ensuring the claim or return:</p> <ul style="list-style-type: none"> <li>• has been prepared in accordance with guidance issued by the grant-paying body; and</li> <li>• is supported by sufficient, appropriate evidence.</li> </ul>	April 2012	<p>Certification work undertaken in 2012 demonstrates the Council made good progress in improving the extent to which claims are supported by sufficient, appropriate evidence. We have no further observations to make in this regard.</p>
<p>The Council should establish a standard working paper file structure for officers preparing grant claims to follow, including as a minimum:</p> <ul style="list-style-type: none"> <li>• evidence that claim/return has been agreed to the general ledger or other relevant system.</li> <li>• a comparison of the claim/return with the prior period claim/return, with evidenced explanations for significant variances; and</li> <li>• evidence that the claim/return is arithmetically correct.</li> </ul>	April 2012	<p>Certification work undertaken in 2011/12 demonstrated claims are supported by good quality working papers. We have no further observations to make in this regard.</p>
<p>The Council should take steps to reduce the level of errors in assessing claims for housing and council tax benefit, and the classification of overpayments. The Council should:</p> <ul style="list-style-type: none"> <li>• increase the extent of the checks performed on new benefit calculations by senior staff within the Benefits team; and</li> </ul>	April 2012	<p>As noted above, the Council has made good progress in reducing the number of incorrect assessments, and in correctly classifying overpayment errors. The Council has taken a number of actions in 2012, aimed at further reducing the level of error. The impact of the actions taken will not have been reflected in our work on the Council's 2011/12 claim, but should nevertheless enable the Council to sustain the improvements seen in 2011/12 into 2012/13. We have no further observations to make in this regard.</p>

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- increase the extent of the checks performed on the classification of overpayments by senior staff within the Benefits team.
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## Appendix A Certification Fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Comments
Housing and council tax benefit scheme	61,426	52,600	Throughout the first half of 2012, the capacity of staff within the Revenues and Benefits team to support the audit of this claim was limited by the preparatory work necessary for the introduction of welfare reforms from April 2013. Much of the work necessary to certify this claim was therefore undertaken by external audit staff, resulting in an increase in external audit fees.
Pooling of housing capital receipts	700	1,900	
National Non-Domestic Rates return	5,000	1,300	A full audit of this claim was required in 2011/12 as part of the three yearly testing cycle. Additional testing was also required to quantify the extent of the errors identified on Transitional Relief.
Housing Revenue Account subsidy	800	800	
Housing finance base data return	0	8,500	Certification not required in 2011/12.
Disabled facilities grant	0	600	Certification not required in 2011/12.
East of England Development Agency: Maylands Business Centre	0	900	Certification not required in 2011/12.
Preparation of certification report to those charged with governance	1,700	0	The fee for preparation of this report was not separately identified in 2010/11.
<b>Total</b>	<b>69,826</b>	<b>66,600</b>	

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

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