

The Members of the Audit Committee
Dacorum Borough Council
Civic Centre
Marlowes
Hemel Hempstead
HP1 1HH

20 December 2013

Ref: EY/DBC/Grants Report

Direct line: 01223 394547

Email: mhodgson@uk.ey.com

Dear Member

Certification of claims and returns annual report 2012-13 Dacorum Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Dacorum Borough Council's 2012-13 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. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

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 of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

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.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (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 those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

We certified three claims and returns on behalf of the Council. These had a total value of £116.9 million. We met all submission deadlines.

As in previous years, the main area of work in terms of time spent and certification fees was on the Council's claim for housing and council tax benefit subsidy. Our work on this claim found that the Council had sustained the progress it had made in recent years in reducing the number of incorrect assessments, and in correctly classifying overpayments. The errors identified in testing this claim were small in both number and value, and an adjustment was made to the claim prior to certification of the claim. We identified a single error in the two other returns we certified. Again, these errors were corrected by the Council prior to our certification of those returns. Section 1 of this report provides further detail on the matters arising from our testing of each claim and return, and the effect on amounts payable or receivable from Government. We did not need to issue qualification letters for any of the claims and returns that we certified.

Notwithstanding the small number of errors identified by our testing, as set out above, overall the Council generally has established good processes for the production of claims and returns and consequently we have not included any recommendations within our report.

Fees for certification work are summarised in section 2 of this report. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 12 February 2014.

Yours faithfully



Mark Hodgson
Director
Ernst & Young LLP

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Certification of claims and returns annual report 2012-13

Contents

- 1. Summary of 2012-13 certification work..... 1
- 2. 2012-13 certification fees 3
- 3. Looking forward 4

1. Summary of 2012-13 certification work

We certified three claims and returns in 2012-13. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£55,495,877
Limited or full review	Full
Amended	Amended – subsidy claim reduced by £238.
Qualification letter	No
Fee - 2012-13	£31,580
Fee - 2011-12	£61,426
Recommendations from 2011-12:	Findings in 2012-13
None	We carried out extended testing in a number of areas, identifying a small numbers of errors. The Council amended its claim prior to our certification of the claim. These amendments had a small net impact on the amount of subsidy payable to the Council.

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim, or where errors in the prior year lead us to believe there is a likelihood of errors in the subsequent year.

National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£60,281,150
Limited or full review	Full
Amended	Amended – amount payable by the Council to the national pool increased by £76,526.
Qualification letter	No
Fee – 2012-13	£780
Fee – 2011-12	£5,000
Recommendations from 2011-12:	Findings in 2012-13
None	Our testing identified that the Council had used an incorrect system report to identify the value of deferrals made, and consequently the amount payable to the national pool was understated by £76,526. The return was amended prior to our certification of the return.

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

Pooling of housing capital receipts return

Scope of work	Results
Value of return presented for certification	£1,096,285
Limited or full review	Full
Amended	Yes - amendment did not impact on the Council's liability for pooling.
Qualification letter	No
Fee – 2012-13	£1,140
Fee – 2011-12	£700
Recommendations from 2011-12:	Findings in 2012-13
None	Our testing identified that expenditure on regeneration projects recorded in the return was grant funded, and consequently should not have been included on the return. This error was amended prior to our certification of the return. This amendment did not impact on the Council's liability for pooling.

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments.

2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Dacorum Borough Council for 2012-13 was £33,500. The actual fee for 2012-13 was £33,500. This compares to a charge of £69,626 in 2011-12.

Claim or return	2011-12	2012-13	2012-13
	Actual fee	Indicative fee	Actual fee
	£	£	£
Housing and council tax benefits subsidy claim	61,426	31,580	31,580
National non-domestic rates return	5,000	780	780
Pooling of housing capital receipt	700	1,140	1,140
Housing Revenue Account subsidy	800		
Certification of claims and returns - annual report	1,700		
Total	69,626	33,500	33,500

The fees for 2012-13 were calculated based on those for 2010-11 less 40%. Following abolition of the housing subsidy system, certification of this claim was not required in 2012/13. Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £38,100. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link: [<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/>]

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fees.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

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

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