

SUPPLEMENTARY INFORMATION

Accounts, Audit and Risk Committee

5 December 2012

Agenda Item Number	Pages	Title	Officer Responsible	Reason Not Included with Original Agenda
10	1 - 12	External Audit Annual Certification of Claims Report	Chief Financial Officer and Head of Finance and Procurement	Item not available at the time the agenda was published

If you need any further information about the meeting please contact Gavin Lane, Democratic and Elections gavin.lane@cherwellandsouthnorthants.gov.uk, 01327 322121

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Accounts, Audit and Risk Committee

External Audit Annual Certification of Claims Report

5 December 2012

Report of the Chief Financial Officer and Head of Finance and Procurement

PURPOSE OF REPORT

To allow Members to consider the Auditors' Annual Certification Report which summarises the results of the certification work on the Council's claims and returns for 2011/12.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Note the contents of the report.

Executive Summary

- 1.1 The Annual Certification report is attached in Appendix 1. It reports the results of the external auditor's work on two grants claims for 2011/12: Housing and Council Tax Benefit; and National Non Domestic Rates (NNDR).
- 1.2 The 2011/12 Housing and Council Tax Benefit audit identified adjustments to the claim of £560. The auditor's sample testing identified minor errors in the classification of benefit entitlement and the classification of local authority errors. This is a major improvement from the 2010/11 position and indicates that the actions taken as a result of our detailed investigation have delivered significant improvements.
- 1.3 The results of the auditor's work were sent to the DWP as the grant paying body. The Council is waiting for the Secretary of State's decision on whether they will recover any overpaid subsidy as a result of the claim. We have been informed that as a result of the qualifications, the Local Authority Error Subsidy due to the authority has increased by £13,999 to £124,076.
- 1.4 There were no errors or amendments to the NNDR claim.

Implications

Financial:	There are no financial effects arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.
Legal:	There are no legal implications arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.
Risk Management:	There are no risk issues arising from this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Annual Certification Report
Background Papers	
None	
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Annual Certification Report (2012/13)

Report to those charged with governance

November 2012

Ernst & Young LLP

The Members of the Accounts, Audit and Risk Committee
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

23 November 2012

Dear Members

Annual Certification Report (2011/12)

We are pleased to attach our annual certification report for the forthcoming meeting of the Accounts, Audit and Risk Committee. This report summarises the results of certification work undertaken on your 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 its appointed auditors set out the work they must undertake before issuing a certificate. Grants and claims are certified 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 Accounts, Audit and Risk Committee, and is prepared for the sole use of the audited

body. We, as appointed auditor, take no responsibility to any third party. Following the appointment of Ernst & Young as auditor for the year ended 31 March 2013 we have been requested to prepare this Annual Certification in respect of the year 2011/12. However the certification 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.

Results of certification work

For the period April 2011 to March 2012 two claims and returns were certified with a total value of £105.3m. This work was completed prior to Ernst & Young being appointed auditor.

Of the claims certified, one claim, the Housing and Council Tax Benefit claim was qualified and amended. 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 Accounts, Audit and Risk Committee meeting scheduled on the 5th December 2012.

Yours faithfully
For and on behalf of Ernst & Young LLP

David Wilkinson
Partner
Ernst & Young LLP
United Kingdom
Enc.

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1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value £000	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	43,100	Q	Incorrect classification of LA error, backdating awarded in error, incorrect savings pensions savings credit applied and Council Tax excluded from eligible rent calculation
			A	Claim was reduced by £576
National Non-domestic Rates Return	LA01	62,243	-	-

2. Qualifications in respect of 2011/12 certification work

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 and council tax benefit scheme	<p>Sample testing identified minor errors in the calculation of benefit entitlement and the classification of LA errors. Not representative of weaknesses in underlying systems and procedures.</p> <p>Adjustments totalling £560 have been made to the claim in this respect.</p>	No action required

3. Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Some random checking already built in as a process. To be increased along with additional checks targeting areas of greater risk, for example overpayment classification, assessment of earnings etc.	High	31 March 2012	Ryszard Filipiak, Service Assurance Technical Specialist - Housing Benefit	Implemented	An overall improvement with fewer sets of 40+ testing and no extended testing on Council tax benefit
Issues identified in the 2010/11 qualification report will be raised with Capita after the management has completed the additional testing in response to the outputs of the qualification letter and discussion with DWP.	High	31 March 2012	Karen Curtin, Head of Finance	Implemented	

Appendix A Certification Fees

Claim/Return	2010/11 Actual £	2011/12 Actual £
Housing and council tax benefit scheme (BEN01)	30,866	20,244
National Non-Domestic Rates return (LA01)	779	709
Not audited in 2011-12:		
Pooling of Housing Capital Receipts (CFB06)	215	-
Disabled Facilities Grant (HOU21)	674	
Total	32,534	20,953

Housing Benefits (BEN01) - Fewer audit queries were raised during the conduct of the certification review

The above fee relates to the charge for certification work undertaken by the Audit Commission's audit staff prior to the 31 October. In addition to the above fee there is a further fee estimated at £1,700 relating to work carried out by Ernst Young in the period post 31 October 2012 to complete outstanding certification work. The total fee for the 2011/12 certification audit is therefore £22,653.

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