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New Forest District Council

Certification of claims and returns annual report 2012-13

January 2014

Ernst & Young LLP



Private and confidential

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Dear Members

**Certification of claims and returns annual report 2012-13
New Forest District Council**

We are pleased to report on our certification work. This report summarises the results of our work on New Forest District 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 sets 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 at [Statement of Responsibilities](#).

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

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified one claim and two returns with a total value of £115,883,421 and met all submission deadlines. We issued a qualification letter for the housing and council tax benefits subsidy claim, but both returns were certified without qualification. Details of the qualification matters are included in section 2. None of the claims or returns was subject to amendment as a result of our work.

Three recommendations were made in 2011-12. Two have been addressed and one which was only partially implemented has not been carried forward again into 2013-14 as the council tax benefit scheme has changed.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and 2010-11 to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee

Yours faithfully

Helen Thompson

Director

Ernst & Young LLP
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1. Summary of 2012-13 certification work

We certified one claim and two 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	£53,785,446
Limited or full review	Full
Amended	No
Qualification letter	Yes
Fee - 2012-13	£6,440
Fee - 2011-12	£13,940
Recommendations from 2011-12:	Findings in 2012-13
<p>Two issues were identified that relate to the software the Council uses to process benefit claims:</p> <ul style="list-style-type: none"> - Council Tax Benefit Technical Overpayments have been classified as such on the following Monday, rather than the actual date of the change. This treatment is incorrect because this type of benefit is awarded on a daily basis. - testing of Rent Rebates identified technical overpayments that do not relate to a reduction in rent liability. These are therefore incorrectly classified. <p>The Council amended the 2011-12 claim for these two issues.</p> <p>A recommendation was raised to ensure that the software provider update systems as necessary.</p>	<p>40+ testing was completed in non-HRA (Housing Revenue Account) rent rebates and council tax benefit awards – the details of both are stated below.</p> <p>The extra testing on non-HRA cases identified no further errors but extra testing on council tax benefits resulted in an extrapolated error, the details of which were set out in a qualification letter to the DWP, and are set out in more detail below.</p> <p>The error on council tax relates to the technical overpayments issue raised in 2011-12 – see below.</p>

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. We found errors and carried out extended testing in two areas; non-HRA rent rebates and council benefits. We found no errors within HRA rent rebates or rent allowances.

The errors found in our initial and extended testing were:

- ▶ Non-HRA – our initial testing identified one case where earnings were not properly supported. Our extended testing identified no further errors in earned income and this case is considered isolated. As such, no recommendation has been raised on this issue.
- ▶ Council tax benefits – two cases were found in our initial sample where overpayments had been incorrectly classified. Our extended testing found a further 21 cases where the start date of the technical overpayment was incorrect. This issue has been raised in previous years. We reported the findings to DWP in a qualification letter. However, we

have not made any further recommendations due to changes in the administration of council tax benefits from 1 April 2013. They are unlikely to be subject to DWP mandated certification in 2013-14 and we are as yet unclear what, if any, certification procedures will be required at local level.

We would also like to acknowledge the support we receive from Internal Audit in completing our work on the housing and council tax benefits subsidy claim. They carry out the majority of the detailed initial and extended testing which we review as part of our procedures. This enables us to complete the work within the fee set by the Audit Commission.

National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£60,407,554
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£1,540
Fee – 2011-12	£3,906
Recommendations from 2011-12:	Findings in 2012-13
The Council could not fully support two of the twenty Empty Property Relief cases selected for detailed review. As such, a recommendation was raised to ensure that supporting documentation was retained as evidence.	No matters to report. There were no errors relating to the 2011-12 recommendation and this is considered closed.

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.

We found no errors on the national non-domestic rates return and the return was certified unqualified.

Pooling of Housing Capital Receipts return

Scope of work	Results
Value of claim presented for certification	£1,640,421
Limited or full review	Full
Amended	No
Qualification letter	No
Fee - 2012-13	£1,569
Fee - 2011-12	£1,196
Recommendations from 2011-12:	Findings in 2012-13
None	None

Since 2004/05 local authorities have been required to pay part of their housing capital receipts into a national pool run by the Department of Communities and Local Government (DCLG). Pooling applies to all authorities, including those with closed HRAs who typically

receive housing receipts in the form of mortgage principal and right to buy (RTB) discount repayments.

We carried out full testing and found no errors in the return. It was certified without qualification.

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 New Forest District Council for 2012-13 was £8,700. The actual fee for 2012-13 was £9,549. This compares to a charge of £20,619 in 2011-12.

Claim or return	2010/11	2011/12	2012-13	
	Actual fee £	Actual fee £	Indicative fee £	Actual fee £
Housing and council tax benefits subsidy claim (BEN01)	16,207	13,940	6,440	6,440
National non-domestic rates return (LA01)*	2,373	3,906	1,540	1,540
HRA subsidy	1,034	-	-	-
Pooling of Housing Capital Receipts (CFB06)*	1,106	1,196	720	1,569
Certification of claims and returns – annual report [^]	1,555	1,577	0	0
Total	22,275	20,619	8,700	9,549

* Increase in 2012/13 CFB06 fee is due to additional Part B testing that was not required in 2010/11 (which was the baseline for the fee) but was required in 2012/13 in line with Audit Commission requirements to carry out a full review once in a three year period. The extra fee was agreed with management in December 2013, and approved by the Audit Commission in January 2014.

[^] Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns in 2012/13.

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual 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 £9,100. 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:

[\[Audit Commission Fees \]](#)

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 audit 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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