

Annual Certification Report
2012/13

Hinckley and Bosworth Borough Council

February 2014



The Members of the Finance, Audit and Performance Committee
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Hinckley Hub
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Our Reference: 201213/CERT/HBBC

Ladies and Gentlemen

Annual Certification Report (2012/13)

We are pleased to present our Annual Certification Report which provides members of the Finance, Audit and Performance Committee with a high level overview of the results of certification work we have undertaken at Hinckley & Bosworth Borough Council for the financial period 2012/13.

This report includes a summary of our fees for 2012/13 certification work in Appendix A.

Results of Certification work

For the period ended 31 March 2013 we certified three claims and returns worth a final net total of £53,400,527. All three of these were amended following certification work undertaken, one of which required a qualification letter to set out matters arising from the certification of the claim. We set out further details in the attached report.

We ask the Finance, Audit and Performance Committee to consider:

- the adequacy of the proposed management action plan for 2012/13 set out in Appendix B,
- the adequacy of progress made in implementing the prior year action plan in Appendix C.

Yours faithfully,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

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Introduction

Scope of work

Grant-paying bodies pay billions of pounds in subsidies and grants each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions; where this is not the case matters are raised in a ‘qualification letter’.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claims’ and returns’ certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies. Our role is to act as ‘agents’ of the Audit Commission when undertaking certification work; certification work is not an audit but a different form of assurance engagement, the precise nature of which will vary according to the claim or return; we are required to carry out work and complete the auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements and on value for money.

Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns

In November 2010 the Audit Commission updated the ‘Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns’. This is available from the Audit Commission’s website. The purpose of this Statement is to summarise the Audit Commission's framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission’s appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Results of Certification Work

Results of Certification Work

Claims and returns certified

A summary of the claims and returns certified during the year is set out below. In one case, a qualification letter was required to set out matters arising from the certification of the claim. All three claims and returns were amended following the certification work undertaken. All auditor deadlines for submission of certified claims/returns were met.

Fee information for the claims and returns is summarised in Appendix A.

2012/13 claims and returns certified

CI Reference	Scheme Title	Form	Original Value (£)	Final Value ¹ (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	24,879,210	24,880,401	Yes	Yes
CFB06	Pooling of housing capital receipts	2012PO6 (on LOGASnet)	906,880	906,880	Yes	No
LA01	National Non Domestic Rates Return	NNDR3	27,613,246	27,613,246	Yes	No

¹ Some amendments have no impact on the overall value of the claim / return.

It should be noted that for the 2013/14 period the following changes will apply:-

- LA01 National Non Domestic Rates Return will be removed from the list of those claims and returns requiring auditor certification under the Audit Commission arrangements.
- BEN01 Housing Benefit Scheme – with the implementation of new local scheme arrangements for Council Tax, this element is removed for subsidy purposes and will not form part of the 13/14 claim.

Matters arising

The most important matters we identified through our certification work are summarised below. Further detail can be found in Appendix B.

Housing and Council Tax Benefits Scheme

Our testing identified a number of errors in relation to the Authority's compliance with Housing and Council Tax Benefit regulations. A number of the errors identified could be quantified and in these cases, appropriate amendments were made to the claim form; with exception to one of the amendments they were small in value.

The larger of the amendments related to a processing error in the Non Housing Revenue Account where the weekly rental income was incorrectly input on the benefits system for all temporary accommodation. This required a correction on the claim form of £16,436, which resulted in a £892 increase in subsidy claimed. The total net impact of amendments to the original claim form was an increase in the total subsidy claimed of £1,191.

We also reported a number of matters to the Department for Work and Pensions (DWP) in a qualification letter for instances where no amendment could be agreed that would be representative of the whole population. In summary, the matters related to:

- inaccurate application of occupational pension (four errors identified);
- inaccurate application of assessed income (one error identified);
- misclassification of overpayments (eleven errors identified);
- inaccurate calculation of earnings (seven errors identified);
- inaccurate application of child tax credits (five errors identified); and
- failure to reconcile the total benefit granted per the Authority's benefits system to the claim form with a difference noted of £40.

Some of these errors were also identified in our qualification letter from the prior year.

The final settlement details for subsidy from the DWP have been received by the Authority at a 2012/13 subsidy figure of £24,883,920 following receipt of our auditor certificate and consideration of the matters raised within our qualification letter.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2011/12. Details can be found in Appendix C.

Appendices

Appendix A

Certification Fees

The fees for certification of each claim/return are set out below:

Claim/Return	2012/13 Indicative Fee *	2012/13 Variation**	2012/13 Final Fee**	2011/12 Billed Fee (£)	Comment
	(£)	(£)	(£)		
BEN01 Housing and Council Tax Benefits Scheme	20,260	3,375**	23,635	35,935	Scale fee baseline was the 2010/11 fee with a 40% reduction. Since this period there has been an increase in the levels of work required and this is reflected with the variation to original scale fee.
CFB06 Pooling of Housing Capital Receipts	810	1,190	2,000	1,449	Reduction in the indicative fee is due to scale fee discount. Variation is due to requirement to undertake detailed testing in 2012/13.
LAO1 National Non Domestic Return (NNDR)	2,480	1,094	3,574	3,814	Reduction in the indicative fee is due to scale fee discount. Variation is due to requirement to undertake detailed testing in 2012/13.
HOU01 HRA Housing Subsidy Claim	n/a	n/a	n/a	4,612	HRA Subsidy Scheme discontinued in 2012/13 due to self-financing arrangements and therefore was not subject to certification.
Total	23,550	5,659	29,209	45,810	

*It should be noted that the Audit Commission updated the fee approach for certification in 2012/13. This applied a 40% discount to the 2010/11 billed fee. Indicative fees may subsequently have been updated for Audit Commission approved variations; for example where there was a change in the level of work required.

** Fee variations which are pending Audit Commission approval

There are now limited further opportunities for the Authority to continue to improve its performance as it has implemented many of the recommended best practices for the preparation of claims and returns, but it is always useful to remember that the following are key factors in maintaining/improving the Authority's performance with respect to claims/returns preparation and certification:

- ensuring that claims and returns are produced in line with certification instructions and guidance issued;
- ongoing provision of appropriate training and supervision of officers involved in the preparation of claims and returns;
- ensuring system parameters have been updated with relevant annual updates;
- undertaking a review of the final claim or return against supporting working papers to ensure there are no discrepancies and sufficient and appropriate evidence, that is fully compliant with certification instructions, is available for all fields tested by the auditor;
- ensuring that prior year issues have been fully addressed;
- undertaking a quality check/review of all claims and returns by a senior officer prior to the submission to the grant paying body and auditors;
- ensuring the adequacy and quality of evidence to support the entries in the claim/return; and
- timely responses and provision of evidence where certification queries arise.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, timing of work and any issues arising.

At the same time, we welcome closer scrutiny by officers of any certification claims submitted to us for review and continued efforts to ensure that the quality of evidence available to support claims/returns is appropriate. The Authority's performance may also be improved by ensuring prior year qualification issues are reviewed and controls assessed to minimise risk of similar errors occurring in future periods.

Appendix B

2012/13 Management Action Plan

BEN01 Housing and Council Tax Benefits Scheme (30/11/13)

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>In total we identified 75 failed cases during the course of our BEN01 certification work.</p> <p>46 failed claims had either no financial impact or resulted in amendments to the original claim form, thus were not included within the qualification letter, however required additional work to be undertaken and the errors quantified.</p> <p>29 failed cases were reported in the qualification letter.</p> <p>In summary, the errors identified during 2012/13 related to:</p> <ul style="list-style-type: none">• Non HRA rent rebates: rent value incorrectly input on the system to reflect only the amount upon which subsidy can be claimed;• Non HRA rent rebates and Council Tax Benefit: misclassification of overpayments;• Council Tax Benefit, Rent Allowances and Rent Rebates: incorrect application of income in relation to occupational pensions, assessed income, employment earnings, child tax credits and self-employed income;• Council Tax Benefit: inaccurate processing of extended payment period; and• Modified schemes: numerous errors relating to the application of evidence and division between local and national scheme expenditure.	<p>The error types identified each relate to more complex areas, as such the Authority should focus training, support and review of claims specifically around these error types.</p> <p>For none HRA rent rebates we were advised by the Authority that it would ensure future cases include the correct rental value to prevent future errors in processing.</p>	<p>It is acknowledged that these are one of the more complex areas of benefit assessment. Therefore it is our intention that claims of this type will be dealt with by more experienced assessors. Tailored training is being arranged to reduce the incidence of errors in this claim type.</p>	<p>31 March 2014</p>

Appendix C

2011/12 Management Action Plan – Progress made

BEN01 Housing and Council Tax Benefits Scheme (30/11/12)

Issue	Recommendation	Management response & Responsibility (Implementation date)	Recommendation Status
<p>Our 2011/12 testing identified issues relating to the following areas;</p> <ul style="list-style-type: none"> • Council Tax Benefit: inaccurate processing of extended payment periods (three errors identified); • Council Tax Benefit: misclassification of overpayments (eleven errors identified); and • Modified Schemes: miscalculation of modified schemes cases (errors impacted all 26 cases in the population tested). This occurred for a number of reasons, the most significant being that the incorrect up rating date had been applied in all cases. The level of error and impact to subsidy for these cases could not be determined. <p>The number of errors identified during 2011/12 represented an increase from 2010/11 (20 failed cases identified in the prior year). The issues noted in prior year were not so significant in nature and were amended for; with exception to modified schemes which was reported.</p>	<p>The error types identified each relate to more complex areas, as such the Authority should focus training, support and review of claims specifically around these error types.</p> <p>For modified schemes we were advised by the Authority that it would review the entire population and make necessary amendments to these claims to ensure they are accurately calculated going forward. As such the amendments will be considered as part of 2012/13 transactions on the next claim and additional work will be performed.</p>	<p>The recommendation is accepted. As the partnership now has access to a full time training officer we will ensure that assessor training is updated to include the three specific areas of</p> <ul style="list-style-type: none"> • extended payment processing; • classification of overpayments; and • modified schemes. <p>Head of Benefits and Revenues.</p> <p>This will be implemented from May 2013 (following completion of welfare reform training)</p>	<p>Follow up testing in 2012/13 identified the following results:</p> <ul style="list-style-type: none"> • Council Tax Benefit: processing of extended payment periods identified one error resulting in an underpayment of benefit which was reported in the qualification letter. • Council Tax Benefit: misclassification of overpayments, similar issues have been identified in the current year and reported in the qualification letter. • Modified schemes: income uprating corrected in the current year however a number of other adjustments made to the claim form as a result of testing performed

Glossary

Audit Commission Definitions for Certification work

Abbreviations used in certification work are:-

‘appointed auditor’ is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

‘assurance engagement’ is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

‘auditor’ is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

‘authorities’ means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

‘certification instructions’ (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

‘certify’ means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

‘claims’ includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

‘Commission’ refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

‘grant-paying bodies’ includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

‘returns’ are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

‘Statement’ is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

‘underlying records’ are the accounts, data and other working papers supporting entries on a claim or return.

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