

*Annual Certification Report
to those charged with governance
2012/13*
Huntingdonshire District Council

*Government and
Public Sector –
Annual Certification
Report to those
charged with
governance*

February 2014



The Members of the Corporate Governance Panel

Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
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18 February 2014

Our Reference: CE1402

Ladies and Gentlemen

Annual Certification Report (2012/13)

We are pleased to present our Annual Certification Report which provides members of the Corporate Governance Panel with a high level overview of the results of certification work we have undertaken at Huntingdonshire District Council in 2012/13.

We have also summarised our fees for 2012/13 certification work in Appendix A.

Results of Certification work

For the period ended 31 March 2013, we certified two claims and returns worth a final net total of £100,075,176. Of these, one was amended following certification work undertaken and required a qualification letter (Housing and Council Tax benefits subsidy: BEN 01) to set out matters arising from the certification of the claim or return. We have set out further details in the attached report.

We identified a number of matters relating to the Council's arrangements for preparation of claims and returns during the course of our work, some of which were of a minor nature. The most important of these matters have been brought to your attention in this report.

We ask the Corporate Governance Panel to consider:

- the adequacy of the proposed management action plan for 2012/13 and the progress made in implementing the prior year action plan set out on page 7.

Yours faithfully,

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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 claim and return 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 Commission.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including 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 in the table below. In one case a qualification letter was required to set out matters arising from the certification of the claim/return. One claim/return was amended following the certification work undertaken. All deadlines for submission of certified claims/returns were met. Fee information for the claims and returns is summarised in Appendix A.

Claims and returns certified in 2012/13

CI Reference	Scheme Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	45,716,238	45,745,001*	Yes	Yes
LA01	National Non Domestic Rates Return	NNDR3	54,358,938	54,358,938	No	No

*The total amendment includes manual adjustments made by the Council following the submission of the original claim, and adjustments identified during our certification.

Management comments:

The difference between the original and final values of the Housing and Council Tax Benefits claim was an increase in subsidy due to the local authority amounting to £28,763. It is worth noting that only £61.39 of this amount (ie £20.48 + £40.91) related to errors identified by the audit. The remaining value was due to manual adjustments which had already been identified by the authority prior to the commencement of the audit work. Auditors were informed at the start of their work that the final claim would need to be edited to reflect the manual adjustments.

Manual adjustments are necessary as there are some types of benefit awards that are not dealt with automatically by the Northgate system and officer's must manually 'intervene' in order to ensure the correct benefit is awarded to the customer. These types of award also require subsidy to be manually calculated once the financial year has closed but, due to the tight deadlines of submitting the claim by the end of April each year, it is not possible to complete this work within the time restrictions. Hence, it is always necessary for these adjustments to be made to the audited claim prior to the final submission at the end of November.

Matters arising

The most important matters we identified through our certification work are summarised below. We are extremely grateful to the Housing Benefits and Council Tax Benefits team at the Council for the hard work undertaken throughout the year and during our review, to ensure that the certification process ran as smoothly as possible. There were only a small number of issues identified this year and the Council's staff were very helpful, working closely with us and assisting us in every way possible to ensure that the certification process was completed by the required deadline.

Housing and Council Tax Benefits Scheme 2012/13

Our testing identified a small number of errors in relation to the Council's compliance with Housing and Council Tax Benefit regulations. We reported the first two matters below to the DWP in a qualification letter. An amendment was made in respect of the third issue raised.

In summary, the matters related to:

- Manual adjustments

Total differences of £20.48 were identified during our testing of manual adjustments made by the Council to the subsidy. The correct adjustments in respect of these cases were processed in the certified subsidy. However, no further work was performed over the untested manual adjustments as the Council was unable to produce the adjustments for our review until two weeks prior to the certification deadline.

A qualification letter dated 27 November 2013 was issued as we did not have assurance that the untested manual adjustments had been accurately processed. At the request of the DWP, additional procedures were performed in December 2013 to verify that the remaining untested manual adjustments actioned by the Council were fairly stated. We are pleased to report that no issues were identified during our additional sample testing. A second, updated, qualification letter dated 9 January 2014 was therefore issued to supersede the original qualification letter dated 27 November 2013.

- Upating checklist

The Certification Instructions require that all uprating parameters must have been actioned by the Council and that omissions should be reported in a qualification letter. We noted a number of parameter omissions and these were stated in our qualification letter dated 27 November 2013.

The Council informed us that the Northgate system offers the flexibility to hold default values for certain income parameters but it is up to each council how they configure their income codes and how they are used in the system calculation. At the Council, incomes are uprated each year either via ATLAS, by checking individual cases via the DWP Customer Information System, by bulk upratings as permitted by the benefit rules or as required on a case by case basis using available sources.

- Classificaiton of expenditure

Two cases were identified during our non-HRA rent rebtate testing where the expenditure had been misclassified between cells on the subsidy. The total impact of the errors on the claim was £40.91.

We were informed that the errors occurred due to a system issue that was not picked up by the Council's software providers, Northgate. We are pleased to report that the extended testing (40+ testing) performed by the Council following our initial testing of benefit cases was of a very high quality, and we agreed with the Council's findings in all cases that we reperformed.

An amendment was made in respect of the error identified. As such, no reporting to the DWP was required in respect of this matter.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2012/13.

Claim/Return (deadline)	Issue	Recommendation	Prior year management response	Recommendation Status
Housing and council tax benefits subsidy (BEN 01) (30 Nov 2012)	<p>We identified examples of the following:</p> <ul style="list-style-type: none"> Over and under payment of benefit due to inaccurate income assessment calculations; and Manual adjustments made which were not in sufficient detail to ensure that the in year reconciliation cells match the related expenditure cells. 	<p>We recommend that the Council considers the reasoning behind why the errors identified in our testing occurred to ensure that appropriate action can be taken to prevent these instances occurring in the future.</p>	<p><u>Over/under payments</u></p> <p>There were a total of 3 errors identified in the testing which resulted in increasing our claim by £15.49. It is considered that this level of error is not unreasonable given that there are over 10,000 cases per year. Staff are frequently reminded of the importance of accuracy.</p> <p><u>Manual adjustments</u></p> <p>The Council's Benefits system is unable to automate a few types of transaction. Therefore these require manual adjustment and because of the automatic reconciliation embedded in the claim form this will always result in problems. We will always analyse these as far as time allows and this resulted in the claim being increased by around £29k. There was just £1k where we had not got sufficient analysis and so we removed this from the final claim.</p> <p>We will continue to do all we can that appears to be most effective within the time and resources available.</p>	<p>One case was identified during our current year testing where income had been incorrectly calculated. The total impact of the error on the subsidy claim amounted to £2.26.</p> <p>No issues relating to the in year reconciliation have been noted in the current year.</p> <p>It is recommended that the Council continues to monitor the accuracy of assessment calculations, ensuring that total value of errors remains low.</p>

Current year management response:

Due to the high volume of claims that are assessed every year it is inevitable some human errors will be made in claims assessment. However, this is mitigated by a range of accuracy checking and reporting undertaken by the management team, in addition to monthly refresher training sessions given to assessment officers in order to ensure correct procedures and processes are applied. Whilst we will always strive to achieve 100% accuracy, we accept the small levels of error identified during the audit of the subsidy claim.

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 Total (£)	2011/12 (£) Billed Fee (£)	Comment
BEN01 Housing and Council Tax Benefits Scheme	25,084	8,400	33,484	29,000	The increase in fee was a result of further testing required following the errors identified, which are detailed above.
LA01 National Non Domestic Return (NNDR)	4,500	-	4,500	6,000	
Total	29,584	8,400	37,984	35,000	

These fees reflect the Council's current performance and arrangements for certification.

*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. The variation for 2012/13 is currently subject to approval by the Audit Commission.

It may be possible to reduce fees should the Council improve its performance by reviewing the evidence to support claims and processing this information accurately in order to ensure that the correct benefits are awarded. However, it is important to note that as recorded in the 2012/13 qualification letter and the results of certification work section above, we only identified a small number of issues during our certification.

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, time and issues.

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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