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# *Annual Certification Report 2013/14 London Borough of Havering*

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

*February 2015*



## **The Members of the Audit Committee**

London Borough of Havering  
Town Hall  
Main Road  
RM1 3BB

5 February 2015

Our Reference: LBH 2015

Ladies and Gentleman

### **Annual Certification Report (2013/14)**

We are pleased to present our Annual Certification Report which provides members of the Audit Committee with a high level overview of the results of the certification work we have undertaken at London Borough of Havering for financial year ended 31 March 2014.

We have also summarised our fees for 2013/14 certification work on page 6.

### **Results of Certification Work**

For the period ended 31 March 2014, we certified two claims and returns worth a net total of £98,492,778.69. Of these one required a qualification letter to set out the matters arising from the certification findings of the claim or return. We have set out further details within the report.

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

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2013/14 set out in Appendix A; and
- the adequacy of progress made by the Authority in implementing the prior year action plan in Appendix B.

Going forward, with changes in the Audit Commission structure, only the Housing Benefit Subsidy claim will be subject to certification under the existing regime. All other requests for auditor assurance work for claims and returns will operate outside of these engagement arrangements.

Yours faithfully,

PricewaterhouseCoopers LLP

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# ***Introduction***

## ***Scope of Work***

Each year some grant-paying bodies may request certification by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and is one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type 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; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also 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 value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

## ***Statement of Responsibilities***

The Audit Commission publishes a '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 website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

# Results of Certification Work

## Claims and Returns certified

A summary of the claims and returns certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below.

The Audit Commission require that all matters arising are either amended for (where appropriate) or reported within a qualification letter. The report is based on the work carried out as agent of the Commission.

In one case a qualification letter was required to set out matters arising from the certification of the claim. All deadlines for authority submission of the claims and returns were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 6.

## Summary:

<b>CI Reference</b>	<b>Scheme Title</b>	<b>Form</b>	<b>Original Value</b>	<b>Final Value</b>	<b>Amendment</b>	<b>Qualification</b>
BEN01	Housing Benefit Subsidy	MPF720 A	£92,015,508	£92,015,508	No	Yes
CFB06	Pooling of Housing Capital Receipts	2013Po6 (on LOGAS net)	£6,447,270.69	£6,447,270.69	No	No

# Certification Fees

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

<b>Claim/Return</b>	<b>2013/14 £</b>	<b>2012/13 £</b>	<b>Comment</b>
	<b>£</b>	<b>£</b>	
BEN01 Housing Benefit Subsidy	<b>20,107</b>	<b>24,506</b>	Council Tax subsidy ceased in 13/14 resulting in no requirement for auditor testing.
CFB06 Pooling of Housing Capital Receipts	<b>2,458</b>	<b>2,399</b>	
<b>Total</b>	<b>22,565</b>	<b>26,905</b>	

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

# ***Matters Arising***

There were no significant issues of note; however details of matters giving rise to our qualification of the Housing Benefit Subsidy claim are set out in Appendix A.

## **Prior year recommendations**

We have reviewed the progress made by the Authority in implementing the certification action plan for 2012/13; details can be found in Appendix B.

# Appendix A

## Management Action Plan: Current year issues (2013/14)

### *BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)*

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>From our initial testing of 60 cases, we found one case where benefit had been overpaid as a result of miscoding the claimant's income and applying a disregard inappropriately. The overpayment was classified incorrectly as the claimant's error when it was the Council's error.</p> <p>Testing of an additional sample of 40 cases identified one further error which was similar in nature.</p> <p>The extrapolated error across the population of similar cases is £2,055. This matter was reported in our qualification letter.</p>	<p>While the issue noted is relatively minor in the context of the complexity of the BEN01 claim, we recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.</p>	<p>I can confirm that in both instances we have taken the necessary steps to bring this to the attention of those officers involved. Furthermore, I have detailed the nature of the error and provided advice to the processing team on what to do in similar circumstances, if there is any doubt about the classification. Any issues of this nature identified by my team throughout the year, as well as those identified during the audit, are resolved and addressed in the same manner.</p>	<p><b>Responsible Officer:</b> Sarah Bryant, Director of Exchequer and Transactional Services/Chris Henry, Council Tax and Benefits Manager</p> <p><b>Timescale:</b> On-Going</p>



# Appendix B

## Management Action Plan: Prior year issues (2012/13)

For 2013/14 under Audit Commission certification arrangements, the following schemes did not apply:

- LAO1 National Non Domestic Rates
- PEN05 Teachers Pensions Return

Alternative arrangements may have been entered into directly between the grant paying bodies and assurance practitioners, however for the purposes of this report, which is focused on Audit Commission certification work, these schemes have been excluded; on this basis where issues arose in prior year these are now excluded from the action plan.

### *BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2013)*

<b>Issue</b>	<b>Prior year Recommendation</b>	<b>2012/13 Management response</b>	<b>Recommendation Status 2013/14</b>
<p>From our initial testing of 80 cases, we found one case where benefit had been overpaid as a result of miscalculating the claimant's income.</p> <p>Testing of an additional sample of 40 cases identified one further case where the claimant's income had been calculated incorrectly.</p> <p>The extrapolated error across the population of similar cases is £9,571.</p>	<p>While the issues noted were relatively minor in the context of the complexity of the BEN01 claim, we recommend that the Council continues its programme of training officers regularly, to minimise the possibility that errors occur in future.</p>	<p>On discovery of these errors during the course of the audit, the Lead Subsidy &amp; Support Officer briefed the benefit processing sections.</p> <p>In addition, further training is planned this financial year to refresh and remind benefit processors of how to deal with these minor but unusual scenarios.</p>	<p>Implemented</p>

*(Due to the removal of Council Tax subsidy from the 2013/14 claim form, any issues noted in 2012/13 in relation to this particular benefit type have been excluded.)*

# ***Glossary***

## **2013/14 Schemes applicable to the Authority under the Audit Commission Certification arrangements**

### **BENo1 Housing Benefit Subsidy Claim**

Local authorities responsible for administering statutory housing benefit (HB) of rent rebates to tenants of a local authority and rent allowances to private tenants; claim subsidy from the Department for Work and Pensions (DWP). With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent of expenditure incurred.

### **CFBo6 Pooling of Housing Capital Receipts Return**

Since 2004/05, local authorities pay part of a housing capital receipt 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.

# Audit Commission Definitions for Certification work

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## Abbreviations used in certification work are:-

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**‘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;

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

**‘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;

**‘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;

**‘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;

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

**‘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;

**‘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;

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

**‘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](http://www.audit-commission.gov.uk);

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

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

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