

Grants Certification Report (2010/11)

Report to those charged with governance

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those charged with
governance 2010/11

February 2012

Introduction

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies 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. 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.

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.

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.

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. Our reports and management letters are prepared in the context of this Statement. 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.

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.

Executive Summary

During the period June to December 2011 we certified 10 claims and returns worth a total of £201.9m. Of these, one claim (Housing and Council Tax Benefits claim) was amended following certification work and was the only claim requiring a qualification letter.

None of the adjustments had a material impact on the Council’s financial position, and were minor in the overall context of the claim. We set out further details in the attached report.

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2010/11 set out in Appendix B, and;
- the adequacy of progress made in implementing the prior year action plan set out in Appendix C.

Results of certification work

Claims and returns certified

A summary of the claims and returns certified during the year is set out below. All deadlines for submission of certified claims/returns were met.

Claims and returns certified in 2010/11

CI Reference	Title	Form	Original Value (£)	Final Value (£)	Amendment (£)	Qualification
BEN01	Housing and Council Tax Benefits	MPF720A	96,711,801	96,710,859	942	Yes
CFB06	Pooling of Capital Receipts	Audit 2010-11	2,677,359	2,677,359	-	No
EYC02	Sure Start, Early Years and Childcare	AFS 2010/11	8,392,812	8,392,812	-	No
HOU01	HRA Subsidy	1004	10,601,568	10,601,568	-	No
HOU02	HRA Subsidy Base Data	12B2	-	-	-	No
HOU21	Disabled Facilities Grant	DFG 2010D3	574,000	574,000	-	No
LA01	National Non Domestic Rates Return	NNDR3	63,972,947.46	63,972,947.46	-	No
PEN05	Teachers Pensions Return	TR17	16,732,264	16,732,264	-	No
RG31	Wildpsace: Rainham to the River	N/A	1,742,207	1,742,207	-	No
RG31	2010/11 Public Realm	N/A	499,997	499,997	-	No

Issues arising

The Housing and Council Tax Benefits claim required amendment during the audit process, and was also subject to qualification letter. The amendments were not material in respect of the Council's accounts, and indeed were very minor in the context of a £96.7m claim.

The issues we noted during our certification work, and management responses to those issues, is set out in Appendix B.

Weaknesses in internal control

We did not identify any significant weaknesses in internal controls as a result of our certification work.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2009/10. Details can be found in Appendix C. Overall the Authority has made good progress and all recommendations have been addressed.

Appendix A

Certification Fees

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

CI Ref	Claim/Return Title	2010/11 (£)	2009/10 (£)	Comment
BEN01	Housing and Council Tax Benefits	38,000	41,921	The decrease in costs due to Officers at Havering assisting us during the certification process so that we were able to carry out the certification more efficiently in previous years.
CFB06	Pooling of Capital Receipts	3,995	3,995	
EYCo2	Sure Start, Early Years and Childcare	5,700	5,733	
HOU01	HRA Subsidy	6,280	6,280	
HOU02	HRA Subsidy Base Data	6,460	6,460	
HOU21	Disabled Facilities Grant	1,820	1,827	
LA01	National Non Domestic Rates Return	6,025	6,025	
PEN05	Teachers Pensions Return	2,545	2,545	
RG31	Wildpsace:Rainham to the River	3,760	4,033	
RG31	2010/11 Rainham Public Realm	2,290	n/a	
RG31	Childcare Affordability Programme	n/a	2,114	
Total		76,875	80,933	

Appendix B

2011/12 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Housing and council tax benefits subsidy (BEN 01)	<p>Some minor issues were noted in testing of the BEN 01 claim:</p> <p>Incorrect tax credit rates applied to two cases out of twenty tested in our initial sample</p> <p>Incorrect classification of one claimant as a “modified scheme”</p> <p>Minor issues with the production of the draft claim form</p>	<p>MEDIUM</p> <p>While the issues noted were minor in the context of the complex arrangements for 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>Agreed</p> <p>Issues arising from the audit of the BEN01 claim will continue to be incorporated into the Benefit Officer training programme.</p>	<p>Responsible Officer</p> <p>Benefits Manager/Head of Customer Services</p> <p>Timescale</p> <p>On-going</p>
HRA Subsidy Base Data Return (HOU02)	<p>During testing we found six instances where Council dwellings had been wrongly classified by type, for example they were classified as medium rise rather than low rise.</p> <p>Identified errors were amended by the Authority.</p>	<p>LOW</p> <p>The Council should review the specific issues noted during the certification and consider whether further work should be carried out to ensure that dwellings are correctly classified.</p>	<p>Partially Agreed</p> <p>From 1 April 2012 there may no longer be the need for auditors to certify the stock for subsidy purposes. The last return was in August 2011.</p> <p>It will be good practice in the future to maintain the classification.</p> <p>HiH will continue to sample check the stock analysis as and when the properties are surveyed for decent homes works. However it is not deemed value for money to undertake a whole stock check.</p>	<p>Responsible Officer</p> <p>HiH – Director of Finance and Corporate Services</p> <p>Timescale</p> <p>On-going</p>

Appendix C

2010/11 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Status
Housing and council tax benefits subsidy (BEN 01)	<p>Errors were identified in the calculation of claimant's weekly income for nine cases sampled.</p> <p>This resulted in the Authority overpaying benefits totalling £179.49.</p>	<p>HIGH</p> <p>We recommend that refresher training is provided to benefits staff to ensure that they are fully aware of the process for calculating claimant's weekly income.</p> <p>This should be reviewed as part of the spot checks by management.</p>	<p>Agreed</p> <p>Refresher took place for all Benefit staff in December 2010.</p> <p>Reviews are undertaken as part of the random claim processing check undertaken by management.</p>	<p>Responsible Officer</p> <p>Benefits Manager/Head of Exchequer Services</p> <p>Timescale</p> <p>15/12/2010</p>	Implemented
National Non Domestic Rates Return (LA01)	<p>The CI requires that the NNDR3 must include all information received up to the date that the contribution is calculated, if it is reasonably practical to do so.</p> <p>This year the Authority included all information received up to 31 January (i.e. as at 27 January 2010) but did not include information received after that date which would impact the detail at 31 January 2010.</p>	<p>MEDIUM</p> <p>We understand that new data is received on a weekly basis. The Authority should consider whether it is feasible to ensure that all information is included up to the reporting date.</p>	<p>Agreed</p> <p>Where possible we try to complete as many schedules as possible before year end but the major priority through February/March will always be annual billing.</p> <p>This year there were 3 major changes to implement – 2010 Revaluation, Cross Rail and Deferred Payments – which required additional systems testing and also generated a significant increase in queries from ratepayers and managing agents. Obviously, this reduced the amount of time available to work on the schedules.</p>	<p>Responsible Officer</p> <p>Revenues Manager/Head of Exchequer Services</p> <p>Timescale</p> <p>31/01/2011</p>	Implemented
HRA Subsidy Base Data Return (HOU02)	<p>During testing we found nine instances where Council dwellings had been wrongly classified by type, for example they were classified as low rise rather than high rise.</p> <p>Identified errors</p>	<p>MEDIUM</p> <p>The Council should review the data held on dwellings to ensure classifications are correctly recorded.</p>	<p>Agreed</p> <p>All the errors were related to acquired properties. These were all flats above shops and a process has been put in place where Homes in Havering will check all acquired properties, prior to inclusion in the relevant</p>	<p>Responsible Officer</p> <p>HIH – Director of Finance and Corporate Services</p> <p>Timescale</p> <p>February 2011 onwards</p>	<p>Partially implemented (no issues were noted in 2010/11 in respect of acquired properties)</p> <p>– Refer to 2010/11 Management</p>

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Status
	were amended by the Authority.		base data return. Identified errors were checked and rectified on the Anite system. Moving forward, there will be an ongoing process as described.		Action Plan
Sure Start, Early Years and Childcare Grant (EYCo2)	The monthly budget monitoring of expenditure to ensure appropriate allocation of the grant to capital and revenue headings is not formally documented.	LOW We recommend that the Council adequately document the monitoring process for Sure Start expenditure, to enable us to validate the operation of this control and gain assurance from it. This would reduce the level of testing we would need to perform.	Agreed Minutes of Budget Monitoring meetings with spending managers are currently prepared with Action Points. These Minutes will be expanded to provide further detail of discussions and to include projected over/under spending as well as action to be taken on these.	Responsible Officer Early Years Finance Manager/Head of Learning and Achievement/Head of Children and Young People Timescale 17 Feb 2011	Implemented
Teachers' Pensions Return (PENo5)	Our testing identified two instances where there was insufficient evidence to show that a teacher had opted in(pre-2007) or been given the option to opt out (post-2007) of the pension scheme.	LOW Sufficient documentation should be held by the Authority and made readily available to auditors as evidence that the teacher is correctly included / excluded from the Teachers' Pension scheme.	Agreed The HR procedure information is issued to teachers at the commencement of their employment advising them of the conditions of the Teachers' Pension scheme. The possibility that they had not kept a copy of this on a few cases presents a minimal risk. All are automatically put into the scheme they do not have to opt in. The opt out is very minimal risk. The HR procedure is to notify starters of the terms of the scheme. All new starters will be aware from their payslip, that contributions are being taken, if they did not want to be in the scheme they can advise HR of that fact. They would then be advised of the appropriate procedure to follow. I will remind HR of the requirement to advise teachers of the terms of the scheme.	Responsible Officer Payroll Manager/ Head of Exchequer Services Timescale Feb 2011	Implemented



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