



**Brighton & Hove City Council
Annual certification report (2011/12)**

Report to those charged with governance

January 2013

Ernst & Young LLP

 **ERNST & YOUNG**

Members of the Audit & Standards Committee
Brighton & Hove City Council

January 2013

Dear Members

Annual certification report (2011/12)

We are pleased to attach our annual certification report for the forthcoming meeting of the Audit & Standards Committee. This report summarises the results of certification work that we have undertaken at the Council on 2011/12 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. Often these grant-paying bodies required certification from an appropriately qualified auditor of the claims and returns submitted to them.

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.

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 Ernst & Young as appointed auditors of the Council set out the work we must undertake before issuing our certificate. We certify grants and claims as they arise throughout the year to meet the audited claim and return submission deadlines set by the grant-paying bodies.

Statement of responsibilities of auditors and audited bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

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 the Audit & Standards Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Results of certification work

We certified five claims and returns in 2011/12 with a total value of £309 million.

Of the claims certified, the housing and council tax benefit claim was amended and qualified, and the pooling of housing capital receipts return was amended. Details of the qualification matter are included in section 2. The amendment to the pooling of housing capital receipts re did not affect the amount paid by the Council to the central government pool. Amendments to the housing and council tax benefit claim increased subsidy payable to the Council by £6,428.

All deadlines for submission of certified claims and returns were met.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Standards Committee meeting scheduled on 22 January 2013.

Yours faithfully
For and on behalf of Ernst & Young LLP

David Wilkinson
Ernst & Young LLP
United Kingdom
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1. Summary of 2011/12 certification work

Claim or return	Certificate Instruction (CI) reference	2012/13 Claim value £000	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	188,700	Q&A	A relatively small number of errors were found within rent rebates and council tax benefit. We asked officers to undertake additional testing in accordance with the approach required by the Department of Work and Pensions (DWP). We have used the findings of this work to determine the impact on the amount of grant due to the Council. The grant due to the Council increased by £6,428.
National non-domestic rate return	LA01	96,100	-	-
Teachers' pensions return	PEN05	13,200	-	-
Housing subsidy	HOU01	4,600 (payment by the Council)	-	-
Pooling of housing capital receipts	CFB06	6,800 (capital receipts subject to pooling)	A	Capital receipts for dwellings transferred by the Council to Seaside Community Homes Limited were not originally included in the return. Amendment of the return to correct this had no impact on the amount paid by the Council to the central government pool.

2. Qualifications in respect of 2011/12 certification work

The certificate that we issue to the grant-paying body is qualified where there is disagreement or uncertainty over an item or items in the claim/return, or the Council has not complied with the scheme terms and conditions. Details of the qualifications made during 2012/13 are provided below.

Claim/Return	Issue and risk arising	Agreed action plan
Housing benefit and council tax benefit scheme.	A small number of errors were found within rent rebates and council tax benefit. We are satisfied that the errors were not systematic or indicative of wider weaknesses in internal control.	We have fed back the detailed nature of errors to officers on an ongoing basis during the course of the audit. The Council will consider the detailed issues arising from our work in future staff training.

3. Progress on previous auditor recommendations

The DWP requires certification of the return for the teachers' pension scheme, which works separately from the Local Government Pension Scheme. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the government. Entries on the return are therefore based on the output from the payroll system.

In 2010/11 the Audit Commission was unable to conclude the return was fairly stated as a whole because of the high volume of issues identified by its work and the resulting level of remaining uncertainty. It raised two specific recommendations to address the issues arising which were accepted by the Council.

There has been a significant improvement in arrangements to prepare the 2011/12 return. Specifically:

- ▶ Complete working papers were produced to support entries on the return in advance of the audit including a full reconciliation to payroll system output.
- ▶ People Centre officers had undertaken some detailed testing of claims entries prior to its submission for audit.
- ▶ Queries arising during the course of the audit were responded to promptly.

A summary of progress made in implementing recommendations made in the previous year arising from certification work.

Agreed action	Deadline	Current status
Support all disclosures in claims and returns submitted for audit with adequate working papers. Working papers should agree to the claim or return and contain enough detail to allow samples to be selected for detailed audit testing. The working papers should be produced at the same time the claim or return is completed.	With immediate effect.	Implemented.
Ensure that evidence from financial systems and other sources is obtained to support the financial year or project covered by the claim or report. Such evidence should be included as part of working papers supporting the claim or return	With immediate effect.	Implemented.

Appendix A Certification fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Explanations for variances of greater than +/- 10 per cent
Housing and council tax benefit scheme	40,321	30,940	More errors were detected in the 2011/12 return.
National non-domestic rates	5,137	1,480	Detailed testing required in 2011/12 under cyclical approach to claim risk assessment.
Teachers' pensions	3,028	5,126	Improvements in working papers and support from officers.
Housing subsidy	1,501	2,892	Less testing required in 2011/12 under cyclical approach to claims risk assessment.
Pooling of housing capital receipts	549	1,342	Less testing required in 2011/12 under cyclical approach to claims risk assessment.
Reporting and fees for other claims not requiring certification in 2011/12	1,700	11,345	Not applicable. No like-for-like comparison.
Total	52,236	53,125	

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