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**Private and confidential**

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23 January 2014

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Dear members

**Certification of claims and returns annual report 2012-13  
South Bucks District Council**

We are pleased to report on our certification work. This report summarises the results of our work on South Bucks District Council's 2012-13 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. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

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 appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

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.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

**Statement of responsibilities**

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

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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 those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

### **Summary**

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified one claim and one return with a total value of £46,553,250. We met all submission deadlines and issued a qualification letters for the claim. Details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We made no recommendations to the Council last year, or for the current year.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons. We have also set out the additional work required this year and the proposed fee relating to this work which is currently being considered by the Audit Commission as part of their scale fee variation process.

We welcome the opportunity to discuss the contents of this report with you at the 27 March 2014 Audit Committee.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Maria Grindley', is written over a horizontal line.

Maria Grindley  
Director  
Ernst & Young LLP  
Enc

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## 1. Summary of 2012-13 certification report

We certified 1 claim and 1 return in 2012-13. The main findings from our certification work are provided below.

### Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£18,271,529
Limited or full review	Full
Amended	Amended – subsidy reduced by £3,177
Qualification letter	Yes
Fee - 2012-13	£31,659
Fee - 2011-12	£58,031
Recommendations from 2011-12:	Findings in 2012-13
None	See below

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out extended testing in several areas.

Extended '40+' testing and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors to the DWP in a qualification letter. The following are the main issues we included:

- incorrect child tax credit income
- incorrect eligible rent
- misapplication of Rent Officer determination
- incorrect award of backdated benefit
- incorrect application of private/ occupational pensions
- misclassification of eligible and technical overpayments
- misclassification of local authority error overpayments

**National non-domestic rates return**

<b>Scope of work</b>	<b>Results</b>
Value of return presented for certification	£28,281,721
Limited or full review	Full
Amended	Yes – contribution reduced by £821
Qualification letter	No
Fee – 2012-13	£2,656
Fee – 2011-12	£1,199
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	We were initially given incorrect information to support the return which caused delay

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found a small number of errors on the national non-domestic rates return but were able to certify the amount payable to the pool without qualification.

## 2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for South Bucks District Council for 2012-13 was £26,350. The proposed fee for 2012-13 is £34,315. This compares to a charge of £59,230 in 2011-12.

Claim or return	2011-12	2011-12	2012-13	2012-13
	Actual fee £	2011-12 fee less 40% reduction £	Indicative fee £	Proposed fee £
Housing and council tax benefits subsidy claim	58,031	34,819	24,870	31,659
National non-domestic rates return	1,199	719	1,480	2,656
Annual report, planning, supervision and review <sup>1</sup>				
<b>Total</b>	<b>59,230</b>	<b>35,538</b>	<b>26,350</b>	<b>34,315</b>

Fees fell overall compared to 2011-12 because of the Audit Commission's 40% reduction. However after allowing for the 40% reduction there was an increase in fees for the both the claim and the return. This was because:

- we needed to carry out extensive 40+ testing of the housing benefits claim, greater than was needed in 2010-11, the year which formed the base for the Audit Commission's indicative scale fee. Nevertheless the audit process went smoothly and we are very grateful for the help we received from both the Council's own officers and staff from Northgate, the Council's provider; and
- the initial information we were given to complete our review of the national non-domestic rates return was incorrect and there were delays in getting the correct information and establishing the audit trail. We did not carry out a full review of the return in 2011-12 but this was necessary in 2012-13 (we must do this cyclically).

The proposed fee for 2012-13 takes account of the extra work needed: it is currently subject to Audit Commission review and we will confirm the final figure when it has been agreed with them.

<sup>1</sup> Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns

### 3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £33,900. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/>

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

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