



Annual Certification Report (2011/12)
Report to those charged with governance

February 2013

Ernst & Young LLP

The Members of the General Purposes Committee

Merton Council
Merton Civic Centre
London Road
Morden
SURREY SM4 5DX

26 February 2013

Dear Sirs

Annual Certification Report (2011/12)

We are pleased to attach our annual certification report for the forthcoming meeting of the General Purposes Committee. This report summarises the results of certification work undertaken at Merton 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/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 General Purposes Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Following the appointment of Ernst & Young as auditor for the year ended 31 March 2013 we have been requested to prepare this Annual Certification Report in respect of the year 2011/12. Of the certification work reported on herein, for two of the claims (National non-domestic rates return and the teachers' pension return) the work was performed by Audit Commission staff prior to 31 October and therefore not under the direction and supervision of Ernst & Young and accordingly we take no responsibility to the Council nor to any third party for the work undertaken. In respect of the third claim, housing and council tax benefit scheme, part of the work was performed by Audit Commission staff prior to 31 October and therefore not under the direction and supervision of Ernst & Young. Completion of the work, including certification of the claim and preparation of the accompanying qualification letter, was carried out by Ernst & Young.

Results of certification work

In respect of the period 1 April 2011 to 31 March 2012 three claims and returns were certified with a total value of £183,211,636.

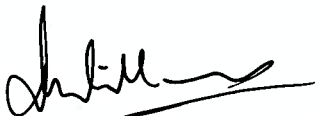
Of the claims certified, one was qualified and amended. Details of the qualification matter are included in section 2. The amendment did affect the grant due to the Council.

All deadlines for submission of certified claims/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 General Purposes Committee meeting scheduled on 13 March 2013.

Yours faithfully
For and on behalf of Ernst & Young LLP



David Wilkinson

Partner
Ernst & Young LLP
United Kingdom

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1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value £	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	97,030,397 (unaudited)	Q and A	Errors found within rent rebates, rent allowances and council tax benefit.
		97,028,613 (audited)		The grant due to the Council decreased by £1,784.
National non-domestic rates return	LA01	75,927,575	-	
Teachers' pensions return	PEN01	10,253,664	-	

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, or the Council has not complied with the scheme terms and conditions. Details of the qualifications made during 2011/12 are provided below.

Claim/Return	Issue and risk arising	Agreed action plan
<p>Housing and council tax benefit scheme</p>	<p>Qualification letter produced in accordance with the requirements of the Department of Work and Pensions. This identified errors in the areas of rent rebates, rent allowances and council tax benefit. The claim was also adjusted for specific errors identified and agreed as part of the work.</p> <p>Errors again identified in areas reported in the prior year qualification letter. Additional sample testing of cases carried out in a number of areas in response to current and prior year errors. These were in specific, detailed areas of subsidy and in 'headline' cell areas, particularly around council tax benefit. The Council is at risk of larger reductions in subsidy in these headline cells. The qualification letter sets out areas where errors occurred and, where possible, sets out the degree of extrapolation of these errors across the population. In response to queries from the Department of Work and Pensions we produced a revised qualification letter with a reduced number of reported cells and extrapolated cells.</p>	<p>Increase the sample review of cases for those areas where there is a higher potential risk of loss of subsidy in advance of submission of the claim.</p> <p>Maintain targeted training for officers in areas where persistent issues remain.</p>

3. Progress on previous auditor recommendations

This section summarises the progress made in implementing recommendations made in the previous year arising from certification work.

Agreed action	Deadline	Current status
Housing and council tax benefit		
Identify through analysis of cases whether targeted testing is needed in specific areas where errors have occurred in previous years.	Not given	Further targeted training is still required for officers reviewing subsidy claims in those areas identified in the 2011/12 and prior year qualification letters.
Reduce to nil the un-reconciled differences in the reconciliation to the systems used to compile the claim.		Minor differences remained in the reconciliation to systems used to provide elements of the subsidy claim remained in 2011/12.
Introduce procedures to review all manual adjustments before submission of the claim for audit.		There remains further scope to extend coverage of pre-submission checks of manual adjustments to the claim as part of the claim compilation process with a focus on those areas identified in the 2011/12 and prior year qualification letters.
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National non-domestic rates return		No issues identified in the 2011/12 certification process.

Appendix A Certification Fees

Claim/Return	2011/12 Actual £	2010/11 Actual £
Housing and council tax benefit scheme	76,083	57,679
National non-domestic rates return	6,246	8,838
Teachers' pensions return	1,867	2,346
Certification planning, review and reporting	1,700	2,027
Total	85,896 - Note1	70,890

Note 1 - to be confirmed with the Council

The year-on-year increase in the fee for the housing and council tax benefit claim was due to additional work programmed for 2011/12 as a result of the 2010/11 claim work and queries raised by the Department for Work and Pensions on the original qualification letter.

The previous Audit Commission auditors carried out certification in both years of the national non-domestic rates return and teachers' pensions return

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