

Certification of claims and returns - annual report

Bromsgrove District Council

February 2011

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Summary	2
Certification of claims.....	2
Significant findings.....	2
Certification fees.....	3
Actions.....	3
Background	4
Findings	6
Specific claim - Housing Benefit and Council Tax Benefit.....	6
Specific claim - National non domestic rates.....	7
Specific claim - Disabled Facilities grants.....	8
Appendix 1 Summary of 2009/10 certified claims	9
Claims and returns above £500,000.....	9
Claims between £125,000 and £500,000.....	9
Appendix 2 Action plan	10

Summary

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income so it can show any conditions attached to this funding are met. This report summarises the findings from my review of the 2009/10 claims. It includes messages from my assessment of your arrangements for preparing claims and returns and the findings from the reviews.

Certification of claims

1 Bromsgrove District Council receives more than £17 million funding from various grant paying departments. The grant paying departments attach conditions to these grants. The Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important the Council manages certification work properly and can show the relevant conditions have been met.

2 The Council also collects more than £23 million for central government for National Non Domestic rates (NNDR). The Council has to show that it has met the conditions attached to the receipt of NNDR from businesses.

3 In 2009/10, my audit team certified three claims with a total value of £40 million. A limited review was carried out on one claim and a full review undertaken on two claims. I describe the different types of review in paragraph 16.

4 Following my review your officers amended both claims on which full reviews were completed. On one of these claims, I was unable to certify fully the claim and issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.

Significant findings

5 The full review of the Housing Benefit and Council Tax Benefit claim for £17 million identified some amendments. I discussed these amendments with officers and the Executive Director for Finance and Corporate Resources agreed to adjust the claim. I found minor errors in the sample of claims tested. I have reported these findings to the grant paying body DWP in a qualification letter.

6 The full review of the NNDR claim for £23 million identified many amendments. I discussed these with officers and the Executive Director for Finance and Corporate Resources agreed to adjust the claim.

7 A limited review on the Disabled Facilities Grant claim for £310K did not identify any amendments. I was able to certify this claim and there are no issues of significance on this claim to report to you.

Certification fees

8 The fees charged for grant certification work in 2009/10 for the three claims was £18,994. (2008/09 - £25,753, a decrease of 26.25 per cent).

Actions

9 I have recommended on how your arrangements can be improved and agreed actions with the Executive Director of Finance and Corporate Resources. The details of these are in Appendix 2.

Background

10 Grant paying bodies often require certification, by an appropriately qualified auditor, of the claims and returns sent to them. The law requires the Audit Commission to make certification arrangements when requested to do so. Certification work is not an audit but a different assurance engagement. This involves applying prescribed tests designed to give reasonable assurance that claims and returns are fairly stated and follow specified terms and conditions.

11 I use the findings of the certification work as evidence for the audit opinion on your financial statements.

12 The Council claims £40 million for specific purposes from grant paying central government departments. This is significant to the Council's income and it is important to manage claim and return preparation. In particular this means:

- an adequate control environment over each claim and return; and
- ensuring the Council can evidence that it has met the conditions attached to each claim.

13 I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Bromsgrove District Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the work required to certify each claim or return.

14 The Council is responsible for compiling grant claims and returns following the requirements and timescale set by the grant paying departments.

15 The Department for Work and Pensions (DWP) specify the tests for the claim for Housing Benefit and Council Tax Benefit.

16 The key features of the current arrangements for reviews of all other claims and returns are as follows.

- The Commission does not certify claims and returns below £125,000.
- For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.

- For claims and returns over £500,000 auditors assess the control environment around the preparation of the claim or return to decide whether they can place reliance on it. Where I can place reliance on the control environment, I carry out limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. I undertake all the tests in the certification instruction where reliance cannot be placed on the control environment. My assessment of the control environment informs decisions on the level of testing. This means if the control environment is strong fees for certification work are reduced.

Findings

Specific claim - Housing Benefit and Council Tax Benefit

17 The value of the Council's Housing Benefit and Council Tax Benefit 2009/10 claim to the DWP was £17 million.

18 The certification work follows methodology agreed with the DWP. I test samples of claims for each of Housing Benefit and Council Tax Benefit. If errors are identified in these samples I undertake further testing targeting those errors in an extra sample of 40.

19 I found the following from the testing of claims. These findings were discussed and agreed with your officers as follows:

- Housing Benefit - 20 cases tested. I identified three errors, two cases of underpayments of benefit and one case an overpayment of benefit. The benefit overpayment was 33 pence on a total claim of £788. I was required to test an extra sample of 40 claims and no additional errors were found.
- Council Tax Benefit - 20 cases tested. I identified one error of an overpayment of benefit. The overpayment of benefit was 44 pence on a total claim of £788. Under the methodology an extra sample of 40 claims was tested. No errors were identified in the further sample.

20 The review identified an amendment to the claim for compliance with the certification instruction. This was agreed and adjusted for by the Executive Director for Finance and Corporate Resources.

21 The date of receipt of claims and associated documentation is a key requirement in fixing the start dates for claims for Housing Benefit and Council Tax Benefit. I identified the Council does not date stamp the receipt of documents at the main Council offices in Burcot Lane, Bromsgrove as routine. The date stamping of documentation takes place if paperwork is not scanned into the document management system on the same day as receipt.

22 Independent reviews by management or by Internal Audit of the date of receipt of documentation do not take place to ensure procedures are in place and working as expected. Without a date stamp of receipt on the documentation evidence is not available to confirm the date of receipt of the documentation other than dates generated by the document management system. This issue has been discussed at length with your officers and remains unchanged from that first reported for the 2007/08 claim and repeated for the 2008/09 claim. In the sample of cases tested I did not identify differences between the date of scanning shown by the document management system and date stamps on documents. The Council is preparing a policy to cover these arrangements.

23 I submitted the qualification letter to the DWP in line with the prescribed timetable.

24 The fee charged for the certification of the Housing Benefit and the Council Tax Benefit claim was £13,327 (2008/09 - £17,426). This is a decrease in fees of £4,099 (23.5 per cent). There has been an improvement in claim assessment from last year. Fewer errors were identified in the first sample requiring follow up testing.

Recommendation

R1 The Council approve a policy for the postal arrangements for Benefit claims and a program of testing is introduced to ensure compliance with procedures.

Specific claim - National non domestic rates

25 I identified as part of the review on the National Non Domestic Rate (NNDR) claim audit trails of the claim from the NNDR accounting system were not available. I reported this to you in my Annual Governance Report on the Council's financial statements for 2009/10. As a result I was unable to place reliance on the control environment and a full review of the claim undertaken.

26 The original value of the NNDR return was £23 million. The review identified amendments to the claim. These were agreed with and adjusted for by the Executive Director of Finance and Corporate Resources. The amended value of the claim was reduced by £7,912.

27 I submitted the adjusted claim in accordance with the prescribed timetable.

28 The fee charged for the certification of the NNDR claim was £4,885 (2008/09 £6,885). The decrease in fee is because of an improvement in the working papers and the clarity of responses to queries provided by your officers.

Recommendation

R2 Arrangements are in place for the retention of documentation from the NNDR computer accounting systems to support the claim to the central government department.

Specific claim - Disabled Facilities grants

29 I undertook a limited review on the Disabled Facilities Grant claim value of £310K. The review did not identify any amendments. I was able to certify this claim and there are no issues of significance on this claim to report to you. The fee charged for this certification was £752 (2008/09 - £1,442). The decrease in fee reflects an improvement in the working papers provided as evidence for this claim.

Appendix 1 Summary of 2009/10 certified claims

Claims and returns above £500,000

Claim	Value £	Amended	Qualification letter
Housing benefit and Council Tax benefit	£17,049,297	Yes	Yes
National Non Domestic Rates (NNDR)	£23,050,850	Yes	No

Claims between £125,000 and £500,000

Claim	Value £	Was the claim amended?	Was a Qualification Letter issued?
Disabled Facilities Grant	£310,000	No	No

Appendix 2 Action plan

Recommendations

Recommendation 1

The Council approve a policy for the postal arrangements for Benefit claims and a program of testing is introduced to ensure compliance with procedures.

Responsibility	Executive Director of Finance and Corporate Resources
-----------------------	---

Priority	High
-----------------	------

Date	
-------------	--

Comments

Recommendation 2

Arrangements are in place for the retention of documentation from the NNDR computer accounting systems to support the claim to the central government department.

Responsibility	Executive Director of Finance and Corporate Resources
-----------------------	---

Priority	High
-----------------	------

Date	
-------------	--

Comments

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946