

# Certification of claims and returns - annual report

Bromsgrove District Council

Audit 2010/11



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# Introduction

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**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. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.**

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. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

# Summary of my 2010/11 certification work

## The Council has performed well in preparing claims and returns.

This year the Council has further improved its arrangements to ensure that claims and returns that require certification are prepared in accordance with the grant paying bodies' relevant terms and conditions. Officers co-operate well with external audit so that claims can be audited by the required deadlines. We continue to work with officers to reduce the amount of external audit time spent on these claims and thus the fee charged.

My work gave rise to amendment of only one of the three claims and returns for the year ended 31 March 2011. A qualification letter was issued on one claim.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£40,657,401
Number of claims and returns amended due to errors	1
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	1
Total cost of certification work	£18,434

## Housing Benefits Claim

The Housing Benefits Claim has a value of over £17million. The Audit Commission has agreed with the Department for Work and Pensions a prescriptive programme of work to enable us to certify the claim. I test a sample of 20 housing benefits cases and a further 20 of council tax cases and then a further sample of 40 cases if errors are found in my initial sample.

- Housing benefit - in my testing of 60 cases I found 6 cases where benefit had been underpaid, in the main due to incorrect income figures being used. The claim is not adjusted for underpayment of subsidy. Incorrect income figures being used is a similar error to that found in previous years.
- Council tax - in my testing of 60 cases I found 9 errors. Three errors related to underpayment of subsidy due to incorrect income figures being used. The remainder provided a total error of £41, which was extrapolated to £12k, over a total cell value of over £5.5m. This is clearly a proportionately small level of error and well within the normal tolerance of error we expect in a claim of this type.

## National Non domestic rates

In the previous year I was unable to rely on the control environment due to the absence of a reliable audit trail to support the claim. This year arrangements have improved significantly with much improved working papers. One amendment was made to the claim.

Losses in collection reported on the claim has fallen significantly (by £523k) while arrears has increased by £1,097k. As losses in collection include write-offs this might indicate that the Council is not routinely reviewing its arrears and regularly writing off uncollectable arrears.

## Disabled Facilities Grant

No issues of concern arising from this audit.

# Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the issues arising from that work.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	17,136,303	Not required as DWP specify the testing required.	No amendments made	Yes – Over-claim of benefits identified for a number of reasons including incorrect income figures being used in the benefit calculation. Extrapolated overpayment of benefit of approximately £15,000
National non-domestic rates return	23,211,098	No, because in the previous year a large number of amendments were made to the claim.	< £500	No

Table 3: **Claims between £125,000 and £500,000**

<b>Claim or return</b>	<b>Value of claim or return presented for certification (£'000)</b>	<b>Value of any amendments made</b>	<b>Qualification letter</b>
Disabled facilities	310,000	£ nil	No

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# Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

The Council has made progress implementing the recommendations in the 2009/10 grant claims annual report.

Table 4: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
The Council approve a policy for the postal arrangements for Benefit claims and a program of testing is introduced to ensure compliance with procedures	M	January 2011	Benefits Manager	The benefits manager provided the DWP with assurances around this which were accepted by the DWP in their letter of December 2010.	No further action required to meet DWP requirements
Arrangements are in place for the retention of documentation from the NNDR computer accounting systems to support the claim to the central government department	H	January 2011	Revenues Manager	An adequate audit trail to support the NNDR claim was available this year	No further action required



# Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Housing and council tax benefit scheme: errors identified in our testing that indicate overpayments in subsidy are extrapolated and reported to the DWP. The DWP may reduce its subsidy to the Council, or may require the Council to undertake additional procedures to provide assurances to the DWP on the validity of subsidy claimed.	M	The Benefits Manager should ensure that a sample of the internal quality checks (post payment verification checks) should focus on the areas of weakness identified in the external audit.	February 2012	Benefits Manager
National non-domestic rates return: In our testing we noted that the stated losses in collection (write offs) had fallen significantly whereas the level of NNDR arrears had risen, which may indicate that the council is not regularly considering its NNDR arrears.	M	The Revenues manager should routinely review the level of NNDR arrears, associated provision for bad debt and submit write offs for approval regularly.	February 2012	Revenues Manager

# Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 6: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£14650	£13,327	N/a
National non-domestic rates return	£3,102	£4,885	Improved supporting working papers and amendments
Disabled facilities	£682	£782	N/a
Total	£18,434	£18,994	N/a

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

