

# Certification of claims and returns - annual report

Thanet District Council

Audit 2009/10

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# Summary

**Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions for these grants.**

**This report summarises the findings from the certification of 2009/10 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.**

## Certification of claims

**1** Thanet District Council receives significant 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 that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.

**2** In 2009/10, my audit team certified 6 claims with a total value of over £104 million. Of these, we carried out a limited review of three claims and a full review of three claims. (Paragraph 11 explains) All claims were certified without qualification. Amendments were required in relation to the housing and council tax benefit subsidy and the pooling of housing capital receipts. Appendix 1 sets out a full summary.

## Significant findings

**3** I am pleased to note that there are no significant findings arising from our grant certification work that I need to bring to the attention of those charged with governance.

## Certification fees

**4** The fees I charged for grant certification work in 2009/10 were £40,357 (2008/09 = £37,346)

# Background

5 The Council claims funding for specific activities from grant paying departments. As this is significant to the Council's income, it is important that this process is properly managed. In particular this means:

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

6 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 Thanet District Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.

7 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

8 The key features of the current arrangements are as follows.

- For claims and returns below £125,000 the Commission does not make certification arrangements.
- 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 for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

# Findings

## Control environment

**9** I have considered the control environment for each of the claims. This includes an assessment of compilation arrangements, adequacy of working papers, expertise of preparers, level of review and prior year issues. I concluded that there were two claims for which this could not be relied upon in 2009/10 and would therefore require a full review.

**10** A full review was required for the following claims:

- Housing Benefit and Council tax subsidy: we do not assess the control environment as detailed case testing is required at all authorities.
- National Non-Domestic Rates: a full review was undertaken due to the introduction of a new payment deferral scheme with increased risk of error is year one relating to specific eligibility requirements and method of calculation.
- Housing Subsidy Base Data Return: a full review was undertaken as a response to the errors identified in analysis cells in 2008/09, as reported in the annual grants report.

## Key findings

**11** For 2009/10, we have reviewed and certified the following government grant claims.

- National Domestic Rates Return
- Disabled Facilities Grant
- HRA subsidy base data return
- HRA subsidy
- Housing and Council Tax Benefit Subsidy
- Pooling of capital receipts

**12** As summarised in Appendix 1, amendments were made to two claims (housing subsidy base data return and housing and council tax benefit subsidy). No qualification letters were issued. For the amended claims, we have set out our key findings below.

### Housing and council tax benefit subsidy claim

**13** This claim is by far the Council's largest grant claim totalling £76 million in 2009/10. As a result of audit, the claim was reduced by £3,957 and certified without qualification.

**14** A key element of our certification approach involves taking a sample of benefit cases from the entries on an authority's subsidy claim form and undertaking detailed testing on these cases using workbooks. The focus of

testing is to consider whether benefit has been awarded in accordance with regulations, and that benefit has been recorded correctly for subsidy purposes.

**15** Our testing identified errors in the following areas. For each area, the claim was amended accordingly:

- **Reconciliation of claim to system reports:** the HRA rent rebate headline cell was £3,714 greater than the amount reconciled to system reports. The Council agreed to amend the claim accordingly.
- **Offsets for tenancy move:** one case (£48) in our initial testing identified that the system had not properly offset over and underpayments on a tenancy move from AN (non-referred HA) to AX (referred HA). 100% testing of such instances was undertaken identifying one further error of £336.
- **Earned income input:** our initial testing identified two cases where earned income was incorrectly input from wage slips resulting in an amendment to the claim of £930. Additional 40+ testing did not identify any further errors.
- **Rent Officer Referrals:** our initial case testing identified one instance where expenditure had been classified as new scheme when a current Rent Officer Determination (ROD) was not in place and no referral had been made by 31 May 2010. Additional 40+ testing of new scheme expenditure cases did not identify any further errors. Our review of the systems in place confirms the Council has comprehensive arrangements in place to ensure ROD's are referred on a timely basis. We have therefore assessed this as an isolated error.
- **Expenditure move:** Our initial case testing identified one instance where an expenditure move was not correctly dealt with by system (resulting in unoffset entries in overpayments and the headline cell). Additional 40+ testing of new scheme expenditure cases did not identify any further errors. Our review of the systems in place confirms the Council has arrangements in place to identify such instances as part of its ongoing checking in this area. We have therefore assessed this as an isolated error.

### **HRA subsidy base data return**

**16** In reviewing the dwelling analysis and supporting records, we noted that a minor error has been made when calculating the number of properties with 2 bedrooms (cell F010RI) and 3 bedrooms (cell F011RI). This related to one property only and was amended by Council accordingly.

## Appendix 1 Summary of 2009/10 certified claims

### Claims and returns above £500,000

Claim	Certified value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	76,386,624	N/A	Yes - decrease of £3,957 to subsidy	No
National non-domestic rates	27,270,134	No - first year of payment deferral scheme	No	No
Disabled Facilities Grant	897,000	Yes	No	No
HRA base data	N/A - data return only	No - errors in analysis cells last year	Yes - classification of 1 property amended	No

### Claims between £125,000 and £500,000

Claim	Value £	Amended	Qualification Letter
HRA Subsidy	- 320,715	No	No
Pooling housing capital receipts	301,370	No	No