

Certification of claims and returns - annual report

Thanet DC

Audit 2010/11



Contents

- Introduction.....3
- Summary of my 2010/11 certification work.....4
- Results of 2010/11 certification work.....7
- Summary of progress on previous recommendations9
- Summary of recommendations10
- Summary of certification fees11

Introduction

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 Authority has performed well in preparing claims and returns

No significant issues were identified as a result of our certification audits. My work gave rise to amendments in three of the six claims and returns for the year ended 31 March 2011 that the Authority was required to submit for certification. I issued one qualification letter accompanying my certificate on the Housing Benefit and Council Tax Subsidy claim.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	6 claims
Number of claims and returns amended due to errors	3 claims
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 claim
Total cost of certification work	£44,608

Key findings

We considered the control environment for each of the claims. This includes our assessment of compilation arrangements, adequacy of working papers, expertise of preparers, senior officer review and prior year issues. For all claims we did not identify any further testing required due to weaknesses in the control environment. We completed a full review of the following:

- Housing Benefit and Council tax subsidy: we do not assess the control environment as detailed case testing is required at all authorities.
- HRA subsidy and Housing finance base data return: full review required as part of our cyclical programme to meet the requirement that all claims must be subject to a full review once within a three year period

Amendments were made to three claims and a qualification letter issued for the housing and council tax benefit subsidy. For these claims, we have set out our key findings below.

Housing and Council Tax Benefit Scheme

The Housing and Council Tax Benefit Subsidy grant claim is, by far, the largest grant claim totalling £80 million in 2010/11. As a result of audit, the claim was reduced by £6,688 and certified with qualification.

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.

Our testing identified errors as set out in table 2 below.

Table 2: **HBCOUNT findings 2010/11**

Subsidy Type	Initial Sample	Additional Testing
Rent Rebates	19/20 passed	All 48 similar cases reviewed and confirmed as an isolated error - claim amended for individual case.
Non-HRA rent rebates	10/16 passed	For each error identified, all similar cases within the 76 case non-hra population were tested. Further testing identified 5 additional errors. Of the total 11 errors identified, 3 underpayments were reported in the qualification letter and amendments made for the remaining 8 issues.
Rent Allowances	20/20 passed	No further testing
Council Tax Benefit	20/20 passed	No further testing

In addition to the amendments above, we were required to submit a supporting qualification letter to the department in respect of the following:

- Reconciliation differences between benefit paid and granted within the subsidy system.
- Errors resulting in underpayment of subsidy.

Housing finance base data return

The housing finance base data return provides information to the DCLG of housing stock numbers and values. It will use information provided in determining draft settlement figures as part of the reform to self financing model from 1 April 2012.

Our audit identified one minor error and the Authority amended the claim accordingly as follows:

- The estimated principal outstanding on HRA mortgages was understated in cell F004rr by £180 due to an omitted overpayment.

Pooling of Housing Capital Receipts

Our audit review identified one instance of deductions for ineligible capital works. These costs related to capital works at one property completed over three years prior to disposal. This is not allowed under the certification instructions issued by CLG. The Authority adjusted the claim by £3,389 accordingly.

Results of 2010/11 certification work

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

No significant issues were identified as a result of our certification audits. Details of the amendments and qualification letter are set out above.

Table 3: Claims and returns above £500,000

Claim or return	Value of claim presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Qualification letter issued?
Claims and returns above £500,000				
Housing and council tax benefit scheme	79,638,730	N/A	-£6,688	Y
HRA subsidy	-£649,360	N (full testing in cyclical plan)	0	N
Housing finance base data return	n/a	N (full testing in cyclical plan)	n/a – minor amendment to 1 cell.	N
National non-domestic rates return	28,503,859	Y	0	N
Disabled facilities	1,023,000	Y	0	N
Claims between £125,000 and £500,000				
Pooling of housing capital receipts	280,911	N/A	2,504	N

Summary of progress on previous recommendations

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

I made no recommendations arising from certification work in 2009/10.

Summary of recommendations

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

Table 4: Summary of recommendations arising from 2010/11 certification work

Finding	Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Housing and council tax benefit scheme: The Authority uses the Civica benefit software. The software supplier provides a method for the Authority to reconcile benefit granted per the benefit software (net of adjustments such as local schemes, DHP, write offs and overpayments) to benefit paid per the benefit software. These reconciliations have been prepared for each benefit type, but unexplained variances totalling £6,234.25 were unable to be resolved.	Ensure any unexplained variances in reconciling benefit paid to granted are investigated.	M	Y	2011/12	East Kent Services
Pooling of Capital Receipts: “Allowable deductions from capital receipts” (line 8) was overstated by £3,338 as capital works deducted from capital receipts figure were completed outside eligible period.	Review deductions from capital receipts to ensure meet eligible criteria.	M	Y	2011/12	Financial Services Division

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 5: 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	34,890.50	33,645.50	n/a
Pooling of housing capital receipts	1051.50	718.00	Reflects 3 hrs to action amendment
HRA subsidy	2,905.00	896.00	Increase reflects completion of full testing in 10/11 as part of cyclical plan
Housing finance base data return	2,322.00	1,707.00	Increase reflects completion of full testing in 10/11 as part of cyclical plan
National non-domestic rates return	1,774.50	2,070.50	Reduction reflects completion of full testing in 09/10 as part of cyclical plan
Disabled facilities	1,335.50	752.50	Represents a small increase of 1.5-2 days to complete the audit.
Grants planning and reporting	328.50	1,079.00	Clearer allocation of planning and reporting costs directly to claims.
Total	44,607.50	40,868.50	

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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.

