

# **Certification of claims and returns - annual report**

**Redditch Borough 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 which attach to these grants.**

**This report summarises the findings from the certification of 2008/09 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** Redditch Borough Council receives more than £25 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 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. Of these, we carried out a limited review of 5 claims and a full review of 1 claim. (Paragraph 10 explains the difference). We amended 1 claim requiring full certification for errors. For 2 claims, we were unable to fully certify the claim and issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.

**3** The fees I charged for grant certification work in 2009/10 were £49,200.

# Background

1 The Council claims over £25 million 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.

2 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 Redditch Borough 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.

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

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

- For claims and returns below £100,000 the Commission does not make certification arrangements.
- For claims and returns between £100,000 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

5 The control environment for the production of claims was considered to be adequate and this enabled us to reduce the level of testing accordingly. There is a good working relationship between audit and council staff. Working papers were satisfactory although there were instances where improvements could be made.

## Specific claims

6 As noted in Appendix 1 no amendments were made to any of the claims certified although in two instances a qualification letter had to be sent relevant government department.

## Housing Benefits

7 The housing Benefit claim (BEN01) had a value of £26.9 million. The Audit Commission has agreed with the Department of Work and Pensions a prescriptive programme of work to certify the claim. Although no amendments were made to the claim a qualification letter was issued detailing a number of errors found during the certification process.

- The council carried out reconciliations following the software providers instructions but there were a number of small errors between the totals per the subsidy claim and the actual amounts paid.
- Testing of individual cases and cells within the claim found a number of small errors. The initial number of errors required further testing of HB cases. The errors were reported in detail but no amendment was made to the claim.

## HRA Subsidy Base Data Return

8 The HRA subsidy Base Data return (HOU02) was tested in line with the certification instructions agreed between the Audit Commission and Department of Communities and Local Government. Although no amendments were made to the claim a qualification letter was issued detailing a number of errors found during the certification process.

9 We agreed the number of properties per the claim agreed with council's housing management system. However, the council could not support the numbers on the housing management system with either a property survey or other supporting records that could be practically tested. Without this supporting information we were unable to complete all the testing as required in the certification instructions.

## Appendix 1 Summary of 2009/10 certified claims

### Claims and returns above £500,000

Claim	Value £ 000	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	26,925	Yes	No	Yes
Pooling of Housing receipts	545	Yes	No	No
HRA Subsidy	5,764,836	Yes	No	No
HRA Base Data	-	Yes	No	Yes
NNDR	33,707	Yes	No	No

### Claims between £100,000 and £500,000

Claim	Value £ 000	Amended
Disabled Facilities	240	No