

Certification of claims and returns - annual report

Redditch Borough Council

Audit 2010/11



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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 Council has performed well in preparing its claims and returns.

The Council has good 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 to enable claims to be audited by the required deadlines. The housing benefits claim takes the most amount of audit time and therefore incurs the largest fee. Over the last few years we have worked effectively with officers to reduce the external audit input and thus fee charged for this claim. It is possible for this to be reduced still further and this has been discussed with Officers.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	68,894,503
Number of claims and returns amended due to errors	2
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	3
Total cost of certification work	34,252

Housing Benefits Claim.

The housing Benefit claim (BEN01) had a value of over £28 million. The Audit Commission has agreed with the Department of Work and Pensions a prescriptive programme of work to certify the claim. One small amendment was made to the claim and a qualification letter was issued detailing a number of errors found during the certification process. These errors were very similar to those found in the 2009/10 audit.

- The council carried out reconciliations following the software provider's instructions but there was a difference overall between the benefit granted per the claim and that granted according to the software reconciliation.
- Testing of individual cases and cells within the claim found a number of 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. In line with DWP requirements, we have extrapolated the errors and calculated the impact on the subsidy claimed.

The estimated error has been reported to DWP in the qualification letter and is approximately £68,000, which represents less than 0.3 per cent of the total value of the claim. This is within the parameters of error that is common in a claim of this size and complexity.

HRA Subsidy Base Data Return

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 (CLG). A qualification letter was issued in a similar vein to the ones issued in the preceding three years, highlighting that as part of our audit procedures we are required to agree the number of properties per the claim to the 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, and thus I am required to report.

On 20 October 2011, in response to the qualification letter, CLG wrote to the Council highlighting that they had originally asked the Council to rectify the problem in 2008. They also stated that *it is important that the information the Council provides is accurate as it will be used in calculating the valuation of the business for the self-financing settlement*. However, they recognised that *providing certifiable evidence within the current timeframe for the implementation of self-financing would not be practical*. For that reason they proposed the following courses of action.

- *For gaps in evidence identified by your auditor we will seek discussions with you following the commencement of self-financing and before 31 December 2012.*
- *We will expect you, in due course, to provide satisfactory evidence to the Department.*
- *Where that evidence does not support the data in your return we reserve the right to use the powers we are taking under the Localism Bill to adjust your valuation to reflect the debt deemed supportable by your actual stock composition (as reflected in the revised evidence). This action is necessary in order to maintain the fairness of the settlement between councils.*

A response to the CLG letter is required by December 2012.

In addition to the qualification letter, I made two small changes to the claim. Firstly a property was included that had previously not been identified and secondly to correct an error in the stock valuation, that was identified through the reconciliation process.

National Non Domestic Rates

A qualification letter was issued for this claim. Certification Instruction LA01 (10-11)(5-11) requires us to confirm that the Council can demonstrate that the entry in Part II line 1 reflects the RV of non-domestic properties appearing in the valuation list for each day in 2010/11 multiplied by the small business rate relief multiplier.

The purpose of this test is to provide some assurance that the figures in Part II line 1 are of the right order. In previous years the Council's Revenues Manager has provided a spreadsheet showing the Gross Rates value of all properties in order that we can compare to the amount in Part II Line1. However, this year such a spreadsheet was not produced because officers felt that the exercise offered nothing in terms of assurance and thus our qualification letter high lights that we are unable to complete all the specified tests.

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.

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	29,179,312	N/a – DWP specify tests	£450	Yes – for a sample of cases an overpayment had been made.
Pooling of housing capital receipts	617,868	yes	£nil	No
HRA subsidy	5,908,536	yes	1 property increase	No
Housing finance base data return	n/a – various data	No	1 property increase Increase in valuation by £9k	yes
National non-domestic rates return	32,897,787	yes	No	Yes – evidence to support reasonableness test of entry in Part II line 1.

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

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Disabled facilities	£291,000	nil	No

Summary of recommendations

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

No specific recommendations were made in the 2009/10 Grant claims report.

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

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
	H/M/L			
Housing Benefits subsidy	M	Ensure that the routine post verification checks include a focus on the areas identified as weak in our qualification letter.	March 2012	Benefits Manager
NNDR 3	M	To avoid a future qualification letter the Council should ensure it can demonstrate that the entry in Part II line 1 reflects the RV of non-domestic properties appearing in the valuation list for each day in 2010/11 multiplied by the small business rate relief multiplier	June 2012	Revenues Manager
Housing Subsidy base data return	H	The council should ensure that it responds to the letter from CLG by the required deadline.	December 2012	Chief Finance Officer

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	£25,875	£37,719	General Reduction in days necessary to complete the work.
Pooling of housing capital receipts	£771	£970	
HRA subsidy	£980	£815	
Housing finance base data return	£4,131	£3,990	Some extra testing undertaken compared with the prior year to reflect our assessment of risks associated with the move to self financing of the HRA.
National non-domestic rates return	£1,990	£2,176	
Disabled facilities	£505	£480	
Total	£34,252	£46,150	

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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.

