

Certification of claims and returns - annual report

Tamworth 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. From this I decided 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 again generally performed well in preparing claims and returns.

My work gave rise to qualification and amendment of only one of the six claims and returns for the year ended 31 March 2011. This was the housing and council tax benefit scheme. None of the other five claims that the Authority was required to submit for certification required amendment or a qualification letter accompanying my certificate. As in previous years the working papers provided in support of the claims and returns were of a good standard and officers responded promptly to questions asked. Despite being able to place reliance on the controls environment, I was required by the Audit Commission to perform detailed testing on 3 of the claims. The detail is provided in Table 2.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	6
Total value of claims and returns certified	£58,026,347
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	£38,446

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.

There were no significant issues arising from my 2010/11 certification 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 (£'000)	Was a qualification letter issued?
Housing and council tax benefit scheme	25,739	Y - however the work programme agreed with DWP requires me to undertake the full range of testing.	14	Y - see foot of table for the qualifications issued.
HRA subsidy	2,682	Y – however the Audit Commission required me to do the full testing programme due to the value of the claim	0	N
Housing finance base data return – there is no value	N/a	Y – however due to impending changes in	0	N

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made (£'000)	Was a qualification letter issued?
<p>claimed this is a return of the Council's housing dwellings stock)</p>		<p>housing subsidy arrangements the Audit Commission required all auditors to do the full testing programme.</p>		
<p>National non-domestic rates return</p>	<p>29,131</p>	<p>Yes – note that in 2011/12 I will be required to do the full testing programme due to the value of the claim</p>	<p>0</p>	<p>N</p>

The Housing and council tax benefit scheme was qualified on the following grounds:

- Rent allowances - extrapolation of impact on the cell for one case out of 60 tested where the claimant's income was miscalculated;
- extrapolation of impact on the cell for one case out of 60 tested where the benefits expenditure was misclassified as a case requiring referral to a rent officer .

Council Tax Benefit - extrapolation of impact on the cell for one case out of 60 tested where benefit was overpaid because of failure to apply Single Person Discount;

- extrapolation of impact on the cell for one case out of 60 tested where the benefits overpayment error type was misclassified;
- extrapolation of impact on the cell for one case out of 60 tested where the benefit was overpaid as a result of applying the incorrect date from which the claimant's income had changed;
- reporting that two cases were identified that were misclassified between different error types. Officers assert that the related regulations did not come into force until 1 April 2011 and have written to DWP on this basis. I have reported that I did no further testing as a result of this. A response is awaited from DWP.

None of the errors identified had a significant impact on the amount of the claim. The claim was amended by £14,015 representing 0.05% of the amount initially claimed. This would not have a material impact on the accounts.

The Head of Benefits carried out a significant amount of additional testing herself to understand how the errors had occurred. My work confirmed the results of this testing. She has already put in place further controls to mitigate the risk of these errors occurring in the future. This reflects officers' good approach to stewardship of monies received via grant claims. My work on the additional testing together with my work on the Qualification Letter means that the audit fee for the benefits grant claim has increased significantly this year.

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
Pooling of housing capital receipts	324	0	No
Disabled facilities	150	0	No

Summary of progress on previous recommendations

I have not previously made any such recommendations.

Summary of recommendations

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

Table 3: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Ensure the controls put in place to mitigate the risk of similar errors arising in Housing and Council Tax subsidy claims administration are effective.	H	Review to be undertaken of the impact of extra quality checking of claims processing.	Immediately	Karen Taylor, Head of Benefits.

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 4: 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	£29,390	£18,415	Errors were detected that required me to do more work than was anticipated when setting the planned fee. In addition I had to write a qualification letter to the DWP which took up time that was not envisaged when planning the audit fee in March 2010.
Pooling of housing capital receipts	£730	£730	n/a
HRA subsidy	£2,805	£1,493	The end of the housing subsidy regime increased the risks with this claim. Thus I could not place reliance on the control environment alone.
Housing finance base data return	£4,043	£1,290	Audit Commission instructions, required me to assess this return as high risk at all authorities. This is due

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
National non-domestic rates return	£1,003	£1,521	to the fact that the return will inform the HRA self-financing settlement determination which will establish the self-financing arrangements for many years to come. Therefore I could not place reliance on the controls environment and had to do detailed testing.
Disabled facilities	£475	£780	Efficiencies were gained from prior year experience and linking the work to that done for the accounts.
Total	£38,446	£24,229	Efficiencies were gained from prior year experience and linking the work to that done for the accounts.

The Engagement Lead's Fee letter dated 29 March 2010 stated that the planned fee for this work was £31,500. This was on the assumption that, as was the case previously, I would be able to place reliance on the controls environment for all claims except the Housing and council tax benefit scheme; and that I would not encounter errors that would entail further work.

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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.

