

Certification of claims and returns - annual report

Gedling 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 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 Gedling Borough Council receives more than £28 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, we certified three claims or returns with a total gross value of over £49 million. Of these, we carried out a limited review of two claims and completed a full review for one of the claims (refer to paragraph 11 below). We amended one claim and issued a qualification letter for this claim. This has been summarised in appendix 1.

Significant findings

3 All claims and returns were well compiled. We did not detect any significant errors and matters reported to the grant paying bodies did not relate to fundamental errors or uncertainties.

Certification fees

4 The fees charged for grant certification work in 2009/10 were £22,791 (£37,175 in 2008/09). The large reduction in fees is mainly due to the transfer of housing stock by the Council in 2009/10. This meant that housing related grant claims did not require certification in 2009/10.

5 The rest of this report summarises our specific findings for each of the claims and returns.

Actions

6 Appendix 2 sets out the recommendations arising from our work which have been agreed by officers.

Background

7 The Council claims more than £28 million for specific activities from grant paying departments and pays over £20 million in National non-domestic rate receipts. As these amounts are significant to the Council's income and expenditure 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.

8 We are 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 Gedling Borough Council. We 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.

9 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments. The guidance for the audit of each claim is set down in a 'Certification Instruction'.

10 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

11 For claims and returns over £500,000 we have once again been able to rely on the Council's control environment. This means that we carried out limited testing, leading to lower fees. As in previous years, the one exception is the Housing and Council Tax Benefits Claim, where the certification instruction requires auditors to undertake full testing.

12 The Council completed all of its claims and returns in accordance with the submission deadlines and submitted them to us promptly. Our routine queries were dealt with efficiently.

Specific claims

13 This section of the report details specific findings for each of the claims audited.

Housing and Council Tax Benefit

14 Guidance for auditing the Housing and Council Tax Benefit claim requires us to complete full testing in accordance with the Department for Work and Pensions requirements. These requirements include initial sample testing of 20 cases for each type of benefit claimed.

15 Where there are any errors identified in the initial sample auditors are required to sample test an additional 40 cases (known as 40+ testing) for the specific benefit type an error relates to. Following this the auditor will decide whether there is a fundamental system weakness and report the error to the Department for Work and Pensions, or whether the error is a 'one-off', in which case the claim is amended.

16 Our approach for the housing and council tax benefit claim involves selecting an initial sample across three areas:

- rent allowances;
- non housing revenue account (HRA) rent rebates; and
- council tax benefit.

17 Errors were found in two of the three areas and, as specified by the grant paying department, we were required to undertake additional testing in each area. Officers have assisted us where possible to undertake the further testing. However, the work resulted in additional audit input.

18 The initial testing carried out on Rent Allowance cases identified two errors. One error related to the miscalculation of a claimants student loan income. The second from processing a change in a claimant's income on the wrong date.

19 Errors in the classification of Council Tax Benefit overpayment in 2008/09 lead to initial testing of 40 cases for misclassification in 2009/10. This testing identified five errors. Two cases contained errors relating to offsetting. The other three cases contained overpayments classified as Eligible excess benefit instead of LA error.

20 All of these errors have also been reported to the Department of Work and Pensions in my qualification letter sent with the certified claim.

21 These issues will need to be addressed by the Council in compiling the 2010/11 claim.

Recommendation

R1 The Council should address the issues raised in the qualification letter issued with the Housing and Council Tax Benefit 2010/11 claim.

Other grant claims

22 We are pleased to report that we did not identify any amendments and gave unqualified certificates for the following grant claims:

- Disabled Facilities Grant; and
- National Non Domestic Rates Return.

23 The working papers provided in support of these grant claims were of a good standard and we were able to reduce the fees for each claim.

Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £000	Adequate control environment	Amended	Qualification letter
Housing and Council Tax benefit	28,378	N/A	Yes	Yes
National Non Domestic Rates Return	20,703	Yes	No	No

Table 2: **Claims between £125,000 and £500,000**

Claim	Value £000	Amended
Disabled Facilities Grant	327	No

Appendix 2 Action plan

Recommendations

Recommendation 1

The Council should address the issues raised in the qualification letter issued with the Housing and Council Tax Benefit 2010/11 claim.

Responsibility	John Vickers
Priority	Medium
Date	June 2011
Comments	<p>Miscalculation of Student Loan Income – All cases where student loan income has been calculated will be checked before completion of the 2011/12 claim.</p> <p>Incorrect processing of change to assessed income – I can never fully eradicate human error, however, increased quality checks have been done within the benefits office through 2010/11.</p> <p>Council Tax Benefit – Eligible excess benefit – For 2010/11 improved quality checks are being made within the benefits office. We will also do our own 40 sample cases check prior to completion of the 2010/11 claim.</p> <p>Offsetting – Additional overpayment training is being given and manual overpayments will be reviewed by the Housing Benefit Support officer.</p> <p>Modified Schemes – Council Tax – For 2010/11 improved quality checks are being made. All cases in this cell will be checked prior to completion of the 2010/11 claim.</p>

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