

Certification of claims and returns

Annual report

Torbay Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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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 also 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 & returns and information on claims that we amended or qualified.

My overall conclusion is that the control environment for managing grant claims at the Council is adequate. However, I identified some areas where the Council should strengthen its claims arrangements.

Certification of claims

1 Torbay Council receives more than £250 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 5 claims with a total value of £117 million. Of these, we carried out a limited review of two claims and a full review of three claims (paragraph 10 explains the difference).

Significant findings

3 The control environment for managing grant claims at the Council is adequate.

4 We have issued qualification letters on two claims and have summarised the issues contained in these letters in the main body of this report.

5 I did not amend any claims.

Certification fees

6 The fees we charged for grant certification work in 2009/10 were £34,496.

Actions

7 Appendix 2 summarises my recommendations, which have been agreed by relevant officers of the Council.

Acknowledgement

8 Our thanks are due to council staff who helped us with the 2009/10 audit of claims and returns.

Background

9 The Council claims more than £250million 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.

10 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 Torbay 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. This, in turn, depends upon the checks that the grant paying departments require us to carry out.

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

12 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

13 The control environment for managing grant claims at the council is adequate and we have generally been able to rely on this when planning and performing our work.

Specific claims

Housing and council tax benefits scheme

14 We reported two issues to the Department of Works and Pensions (DWP), regarding this claim. These were:

Reconciliations

15 The Council made payments to private landlords for services, some of which were not eligible for benefit under Non-HRA rent rebates. As reported last year, the Council were not able to reconcile the amount of Non-HRA rent rebate granted in cells 011 to 017 to cash paid during the year.

16 The Council have stated that reconciliation of non-HRA rebates is not possible, as the total payment to private landlords includes other elements as well as the benefit payments.

Information received by the Council's fraud team

17 We identified one claim in which information regarding a claimant's change in incapacity benefit had been received by the Council but had not been used in a revised assessment of the claimant's entitlement.

18 The information was provided to the Council by the claimant and scanned onto the Council's data imaging system for the attention of the fraud team. The fraud team used this information in the course of their work and concluded that no further action was required. The information remained on the system but was not passed to the assessment team for them to update the claimant's entitlement. As a consequence of this error, the subsidy claim was understated by £17.92. While this is a small sum, we have established that this is not an isolated error.

19 The Council have confirmed that information received by the fraud team, which could lead to a change in entitlement, is not automatically referred to the assessment teams for action upon completion. We have not been able to quantify the effect of this procedural error. The Council have implemented revised working practices to ensure that all information which could lead to a change in entitlement received by the fraud team will, in future, be referred to the assessment teams for action.

Recommendation

- R1** Ensure that working practices require that relevant information received by the fraud team is referred to the assessment teams for action, where appropriate.
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Teachers' Pensions

- 20** Our certification instruction requires us to carry out testing to provide assurance that entries within the claim have been correctly extracted from the Council's payroll records. The payroll records provided agreed to the claim, but contained handwritten amended totals for contributory salaries and contributions deducted. The Council were unable to provide a full explanation, or an analysis of the amendments made.
- 21** The Council also did not have documentary evidence to support the opt-in or opt-out elections made for three of the five part time and supply teachers pension contributions sampled.
- 22** These matters, which were also reported in 2008/09, were included in our report to the Department for Children, Schools and Families.

Recommendation

- R2** Ensure that there is a clear audit trail between the payroll records and the claim. The audit trail should include a full explanation, or analysis of any amendments made
- R3** Ensure that prime documents supporting entries on the claim are retained and made available for audit
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Appendix 1 Summary of 2009/10 certified claims

Claims and returns above £500,000

| Claim | Value £ | Adequate control environment | Amended | Qualification letter |
|--|-------------|------------------------------|---------|----------------------|
| Housing and council tax benefit | £73,690,633 | Yes | No | Yes |
| Teachers' pensions return | £7,888,463 | Yes | No | Yes |
| Sure start, early years and childcare | £4,098,310 | Yes | No | No |
| National non-domestic rates return - contribution to pool | £30,390,892 | Yes | No | No |

Claims between £100,000 and £500,000

| Claim | Value £ | Amended |
|---------------------|----------|---------|
| Disabled Facilities | £465,000 | No |

Appendix 2 Action Plan

Recommendations

Recommendation 1 - Housing and council tax benefits scheme

Ensure that working practices require that relevant information received by the fraud team is referred to the assessment teams for action, where appropriate.

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| Responsibility | Exchequer & Benefits Systems Manager |
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| Priority | High |
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| Date | October 2010 |
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Comments

Recommendation 2 - Teachers' Pensions

Ensure that there is a clear audit trail between the payroll records and the claim. The audit trail should include a full explanation, or analysis of any amendments made

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| Responsibility | Pensions Officer |
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| Priority | Medium |
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| Date | 2010/11 |
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Comments

Recommendation 3 - Teachers Pensions

Ensure that prime documents supporting entries on the claim are retained and made available for audit

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| Responsibility | Pensions Officer |
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| Priority | Medium |
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| Date | 2010/11 |
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Comments