

Certification of claims and returns - annual report

Torbay 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. I must undertake testing of eligibility of expenditure every third year regardless of whether I have assessed the control environment as effective.

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

1 The Council has continued to make improvements in its preparation of claims and returns. This improvement is illustrated in the following table.

Table 1: Summary of claims qualified - year on year analysis

Audit Year	Number of claims certified	Number of claims certified without qualification letter	Number of claims certified with qualification letter
2008/09	5	2	3
2009/10	5	3	2
2010/11	5	4	1

2 The qualification letter issued in 2010/11 accompanied our certificate on the Housing and Council Tax benefit scheme. The issue reported concerned the Council's inability to reconcile Non HRA expenditure between that disclosed in the claim and that on the general ledger. This was because the Council has made payments through the ledger to private landlords for services, some of which are not eligible for benefit under Non HRA rent rebates within the claim.

3 We concluded that the claim was not overstated as expenditure per the general ledger was £24,370 higher than the subsidy claim. The Council have stated that this reconciliation is not possible, as the total payment to private landlords includes other elements as well as the benefit payments. We have reported this issue to the Department of Work and Pensions in each of the previous two years.

Table 2: **Summary of 2010/11 certification work**

Number of claims and returns certified	
Total value of claims and returns certified	£125 million
Number of claims and returns amended due to errors	0
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	£30,666

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 3: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£')	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit	£79,343k	Yes	N/A	Yes – Issue detailed in paragraph 2 above.
Teachers' pensions return	£7,888k	Yes	N/A	No
Sure start, early years and childcare	£5,859k	Yes	N/A	No
National non-domestic rates return contribution to pool	£31,426k	Yes	N/A	No

Table 4: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£')	Value of any amendments made	Qualification letter
Disabled facilities	£495k	N/A	No

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

Table 5: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
<p>2009/10 - Recommendation 1 - Housing and council tax benefits scheme</p> <p>Continue revision of working practices to ensure that all relevant information received by the fraud team is referred to the assessment teams for action.</p>	H	October 2010	Exchequer & Benefits Systems Manager	Implemented	The Council have revised their working practices to ensure that all information received is referred to the assessment teams for action. We have reviewed and agreed these amended practices.

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
<p>2009/10 - 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.</p>	M	April 2011	Pensions Officer	Implemented	Our review of the Teachers' Pension claim concluded that pension values per the claim were fully reconcilable to payroll records. The pensions officer and payroll accountant have adopted a new process to achieve this recommendation.
<p>Recommendation 3 - Teachers Pensions - Ensure that prime documents supporting entries on the claim are retained and made available for audit.</p>	Medium	April 2011	Pensions Officer	No longer applicable	The Audit Commission has discussed this issue with Teachers' Pensions. As a result our certification instruction has been updated to require us to agree entries to the Teachers' Pension database and no longer just to prime documents.

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 6: 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	£22,959	£25,439	N/A
National non-domestic rates return	£3,876	£2,975	Due to cyclical testing part A & B testing required in year.
Teachers' pensions return	£2,046	£2,002	N/A
Sure start, early years and childcare grant and aiming high for disabled children grant	£1,190	£850	Due to cyclical testing part A & B testing required in year.
Disabled facilities	£595	£425	Difference equates to 2hrs of time only.
Total	£30,666	£31,816	

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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.

