

Certification of claims and returns - annual report

South Kesteven District 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 Authority has performed well in preparing its claims and returns.

My team certified six claims and returns for the year ended 31 March 2011 with a certifying value of over £78 million. We carried out a limited review of two claims and a full review of the remaining four. My work gave rise to the amendment of three claims, of which two affected the overall value of the claim. Table 1 provides a summary of the certification work.

I was unable to fully certify the housing and council tax benefit claim and issued a qualification letter accompanying my certificate to the grant-paying body.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified (detailed breakdown in Tables 2 and 3)	£78,122,712
Number of claims and returns amended due to errors	3
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	£17,540

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.

Tables 2 and 3 below provide more detail including whether amendments were made or a qualification letter issued for, respectively, claims and returns above £500,000 and claims and returns between £125,000 and £500,000.

Table 2: **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 scheme	£35,262k	No, mandated HB count approach taken.	£24k, see further explanation of amendments below*.	Yes
HRA subsidy	£6,437k	No, medium risk because errors identified.	£5k, conversion from bedsit to flat of small number of properties during 2010/11 was not reflected in the claim.	No
National non-domestic rates return	£35,768k	Yes	0	No

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 finance base data return	6,265 properties	No, high risk claim due to national changes to housing finance.	4 cells amended, successions were included in incorrect cell. No impact on total value of claim.	No

*I issued one qualification letter this year, relating to the housing and council tax benefit scheme grant claim. I reported in my qualification letter that:

- there were small differences between the benefit granted and benefit paid within the benefit software;
- one rent rebate case had received overpaid benefit as a result of miscalculating the claimant's weekly childcare costs; and
- one rent allowance case (modified schemes) was miscalculated because the war pension had been incorrectly input to the system.

In line with certification requirements, further testing was carried out on rent rebate payments with childcare costs, and modified schemes to assess the magnitude of any problem. No further errors were found in either category.

All queries relating to claims and returns were responded to quickly by the Authority's officers and amendments were made promptly. This facilitated the certification within the deadlines of each grant paying body; no claim or return was certified late. As a result, I have raised no recommendations for the Authority.

As planned, we provided training to internal audit to enable its staff to carry out some of the detailed testing on the housing and council tax benefit scheme grant claim. In our view this increased co-operation worked well, enabling the work to be completed on-time and efficiently. We were able to reduce our fee for this claim accordingly.

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
Pooling of housing capital receipts	342	0	No
Disabled facilities	284	0	No

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation. There are no outstanding recommendations from previous years.

The Authority has prepared its claims and returns well and ensured that they are properly supported by clear working papers. I have no recommendations to make.

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	£11,047	£21,840	Auditing of discovery samples by internal audit.
Pooling of housing capital receipts	£422	£449	
HRA subsidy	£1,161	£1,274	
Housing finance base data return	£2,906	£2,353	Parts A&B testing due to high risk relating to the national changes to housing finance.
National non-domestic rates return	£1,265	£1,079	This small increase (£186) is due to matters such as year on year variances in sample sizes.
Disabled facilities	£739	£360	This small increase (£379) is due to matters such as year on year variances in sample sizes.
Total	£17,540	£27,355	

Supervision and management time has been prorated across individual fees.

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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.

