

Certification of claims and returns - annual report

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New Forest District Council

Audit 2011/12



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Introduction

Councils 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 2011/12 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of councils, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions (CIs) 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;
- for claims and returns between £125,000 and £500,000, the Audit Commission requires that only the limited tests to agree form entries to underlying records are undertaken; and
- for claims and returns over £500,000 work is planned and performed 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.

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 2011/12 certification work

The Audit Commission and grant paying departments have reduced the number of claims and returns subject to audit in 2011/12.

Table 1: Summary of 2011/12 certification work

Number of claims and returns certified	2010/11	2011/12
Total value of claims and returns certified	8	4
Number of claims and returns amended due to errors	4	3
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim/return or scheme terms and conditions had not been complied with.	0	1
Total cost of certification work	£22,275	£20,619

Control environment

When assessing the grant claim/return control environment, I assess it as adequate if I am satisfied with the outcomes of my consideration of the following:

- relative risk associated with the claim - volume and complexity of transactions;
- claim compilation method and review arrangements;
- internal financial control and internal audit coverage;
- quality of supporting working papers;
- expertise and knowledge of preparers;
- matters arising from previous audits (and action taken to resolve the issues); and
- comparison of the claim/return entries with expected entries.

All of the claims and returns subject to audit certification in 2011/12 were above £500,000. I have summarised my considerations of the control environment, and the detailed findings and recommendations from my 2011/12 certification work in the attached appendices.

Appendix 1: Results of 2011/12 certification work

This table summarises the overall results of my 2011/12 certification work.

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 £	Qualification letter?
Housing and council tax benefit scheme	52,167,762	N/A - there is a mandated approach to testing this claim, using an approach agreed with the Department of Work and Pensions.	(20,526)	Yes
Pooling of housing capital receipts	1,383,718	Yes	Not amended	No
Housing Revenue Account subsidy	(9,744,211)	No - History of previous errors.	1,284	No
National non-domestic rates return	56,836,308	No – Audit Commission mandates that all CI tests are completed at least once every three years. The claim was due for this cyclical full review in 2011/12.	(7,871)	No

Appendix 2: Progress on previous recommendations

The Council has made some progress in implementing my 2010/11 recommendations.

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

Recommendation	Priority	Implementation date	Responsible officer	Current status	Comments
R1. As part of internal review and sign off ahead of submission, check that working papers properly support all claims/returns.	H	2011/12 Grant Claims	K Green/ A Taylor	Partially implemented	Most claims were properly supported by working papers. However, the amendments required to the Housing Subsidy Claim should have been identified through internal review of the claim and working papers before the claim was submitted. This has not been raised as a 2011/12 recommendation as 2011/12 is the last year of the HRA subsidy claim.
R2. Resolve the systematic software issue which affects the allocation of non HRA rent rebate expenditure - seek the assistance of the software provider as necessary.	H	30 April 2012	R Stevens	Implemented	None

Appendix 3: 2011/12 Recommendations

This table summarises the findings and recommendations from my 2011/12 certification work.

Table 4: Summary of recommendations arising from my 2011/12 certification work

Finding and Recommendation	Priority	Comments	Implementation date	Responsible officer
<p>Housing and Council Tax Benefit Subsidy</p> <p>I identified two issues that directly relate to the software the Council uses to process benefit claims:</p> <ul style="list-style-type: none"> - Council Tax Benefit Technical Overpayments have been classified as such on the following Monday, rather than the actual date of the change. This treatment is incorrect because this type of benefit is awarded on a daily basis. - My testing of Rent Rebates has identified technical overpayments that do not relate to a reduction in rent liability and are therefore incorrectly classified. <p>The Council amended the 2011/12 claim for these two issues.</p> <p>R1) Resolve the two software issues with the assistance of the software provider as necessary.</p>	H	Agreed	31 December 2012 (Subject to agreement with Northgate the software suppliers).	R Stevens

Finding and Recommendation	Priority	Comments	Implementation date	Responsible officer
<p>I identified one case where an unsupported self declaration of earnings for a new self employment business was used to calculate benefit, but was not reviewed until the Council's normal annual review timetable. In my judgement, this was not consistent with guidance on reviewing self employed earnings. The Council did not agree with my view, therefore has not amended the subsidy claim. I have referred to this matter in my qualification letter.</p> <p>R2) Review new business self employed earnings at an earlier interval than the Council's annual review timetable.</p>	H	<p>Recommendation not agreed - This was an isolated case and does not represent the Council's normal practice, which is to review an initial assessment after 3 months for a newly self-employed claimant due to the date of the information being received.</p>	N/A	N/A
<p>National Non Domestic Rates</p> <p>The Council could not fully support two of the twenty Empty Property Relief cases selected for detailed review. The Council removed these cases from the 2011/12 return.</p> <p>R3) Retain supporting documentation for Empty Property Relief granted.</p>	H	Agreed	Ongoing	M Cole

Appendix 4: Summary of certification fees

This section summarises the fees arising from my 2011/12 certification work and highlights the reasons for any significant changes in the level of fees from 2010/11.

Table 5: Summary of certification fees

Claim or return	2010/11 fee (£)	2011/12 fee (£)	Reasons for changes (where there has been a significant change)
Housing and council tax benefit scheme	9,933	12,768	Increase in fee due to errors identified in initial sample testing, subsequent mandatory extended testing, and the subsequent production and agreement of a qualification letter.
Pooling of housing capital receipts	1,106	1,196	N/A
HRA subsidy	1,034	1,172	N/A
National non-domestic rates return	2,373	3,906	Return subject to full review in 2011/12, and additional testing required on Empty Property Relief cases due to lack of retained evidence from our initial testing sample.
Grant claims – control and monitoring	1,555	1,577	N/A
Total	22,275	20,619	N/A

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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.

