

Certification of claims and returns - annual report

Uttlesford District 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.

Contents

Summary	2
Certification of claims.....	2
Significant findings.....	2
Certification fees.....	3
Actions.....	3
Background	4
Findings	5
Control environment.....	5
Specific claims.....	5
Appendix 1 Summary of 2009/10 certified claims	7
Claims and returns above £500,000.....	7
Claims between £100,000 and £500,000.....	7
Appendix 2 Housing and Council Tax Benefit Findings	8
Appendix 3 Action Plan	10

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 prove to the auditors that it has met the conditions attached 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 I amended or qualified.

Certification of claims

1 Uttlesford District Council receives more than £22 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 the Council manages certification work properly and that it can demonstrate to me that the relevant conditions have been met.

2 In 2009/10, my audit team certified five claims with a total value of £45 million¹. Of these, I carried out a limited review of two claims and a full review of three claims (Paragraph 10 explains the different approaches). I amended all three claims that required full certification. For two of these claims, I was also unable to fully certify the claim and issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.

3 The fee charged for grant certification work in 2009/10 was £48,105. This does not include any additional work required by the Department of Work and Pensions (DWP) following their review of my qualification letter on the Housing Benefit claim (see Table 1 for issues reported).

Significant findings

4 The Council's arrangements for preparing grant claims have remained similar to the previous year. There have been improvements in the Housing Subsidy claims, but the Housing and Council Tax Benefits has shown a marked decline compared to 2008/09 with significantly more errors found this year (11 in 2010/11, compared to two in 2008/09).

i This value of £45 million is higher than the £22 million quoted in paragraph 1. The £45 million total includes £34 million NNDR contribution to the pool, which is collected by the Council on behalf of DCLG. This is significantly higher than the NNDR grant income received back from the pool (approximately £3.3 million), which is included in the £22 million total funding figure. This accounts for the majority of the difference.

Certification fees

5 There remain opportunities to reduce the audit fee in future years. In particular, further improvement in the quality check arrangements for housing and council tax benefit claims should reduce the level of errors and limit the extra audit testing required. 74 per cent of the total grants fee charged to date relates to the Housing and Council Tax Benefit claim.

Actions

6 Appendix 2 summarises my recommendations to improve the arrangements for the production and certification of grant claims. The relevant officers have agreed these recommendations.

Background

7 The Council claims £22 million for specific activities from grant paying departments. This is significant to the Council's income and it is important that this is managed correctly. In particular this means:

- a satisfactory control environment over each claim and return; and
- ensuring the Council can evidence that it has met the conditions attached to each claim.

8 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 Uttlesford District Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the work required to certify each claim or return.

9 The Council is responsible for compiling grant claims and returns under the requirements and timescale set by the grant paying departments.

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 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 (Part A testing). Where reliance cannot be placed on the control environment, auditors undertake all the tests in the certification instruction and use their assessment of the control environment to inform decisions on the testing required (Part B testing). This means the audit fees for certification work reduces if the control environment is strong; and
- 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 grants work we carry out, placing more emphasis on the high value claims.

Findings

Control environment

11 The overall control environment for most claims requiring certification at Uttlesford District Council is satisfactory. Experienced officers compile the relevant claims and have the necessary ability and knowledge to answer audit queries.

12 However, other than for the National Non-Domestic Rates Return, the control environment is not sufficiently robust enough for me to place full reliance on it and limit my testing to only carry out Part A testing (see paragraph 10 for details).

13 Most working papers are clear and link back to the claims provided for audit. However a few working papers provided for Housing Subsidy Base Data did not meet the requirements of the Certification Instruction. For example the amount required in the claim for void loss is an annual amount, but the figure in the working paper provided was only for 1 week.

Specific claims

14 Table 1 below contains the detail of those claims where amendments were required or where issues were raised during the audit, as well as the action necessary to improve future performance.

Table 1: **Summary of issues**

Claim	Amendment/ Exception detail	Action
Housing and Council Tax Benefit	<p>My testing found some errors within the claim for all benefit types as follows:</p> <ul style="list-style-type: none">■ Due to the incorrect application of the subsidy guidance manual requirements, the non-HRA rent rebate figures were all amended resulting in an increase in the claimed subsidy of £473.■ Further errors were found within rent rebates, rent allowances and council tax benefit. All of these were due to either input or assessment errors. The impact of these errors was estimated through extrapolation and reported within my qualification letter sent to the DWP. The DWP will consider the issues reported in the qualification letter and inform the Council of any additional work they	Review the errors found by the Audit Commission and ensure that any additional training needs are identified and addressed.

Claim	Amendment/ Exception detail	Action
	<p>require to determine the final amount of subsidy due to the Council. It is likely that this will include additional testing of individual cases and review of this work by the Audit Commission. Details of the errors found and their potential impact on the claim are included within Appendix 3.</p> <ul style="list-style-type: none"> ■ The level of errors identified in the 2009/10 represents a decline in performance in terms of accuracy compared to the previous year. 	
<p>Housing Subsidy Base Data 2011/12</p>	<p>My audit found that the void loss figure included within the claim was for one week only and not the whole year as required by the Certification Instruction. An amendment was therefore required.</p> <p>In addition, there were some minor errors where amounts within the claim did not agree to the working papers provided. The claim was also qualified because of an inconsistency between the guidance provided to the Council in the claim's help text, and that provided to the auditors. This inconsistency has been brought to the attention of CLG.</p>	<p>Ensure the Housing Subsidy Base Data return agrees to supporting working papers and that where annual amounts are required, these are correctly shown.</p>
<p>Housing Subsidy Final Claim</p>	<p>The claim was amended due to a change in guidance relating to the treatment of PFI schemes, which was not reflected on the initial claim submitted for audit. This change in guidance occurred after the claim was submitted for audit.</p>	<p>None required</p>
<p>National Non-Domestic Rates</p>	<p>The claim was amended to ensure the losses on collection figure on the claim return agreed to the bad debt provision figure in the accounts, which was amended as a result of the audit of the final accounts. No other amendments or issues were noted.</p>	<p>Ensure the losses in collection figure in the NNDR grant claim agrees to the bad debt charge in the accounts.</p>
<p>Pooling of Housing Capital Receipts</p>	<p>One minor issue was noted, with three of the four quarterly returns submitted late to the CLG.</p>	<p>Ensure pooling returns are made on time.</p>

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	16,974,914	No	Yes	Yes
Housing Subsidy Base Data	-	No	Yes	Yes
Housing Subsidy Final Claim	(5,132,477)	No	Yes	No
National Non-domestic rates	(34,439,751)	Yes	Yes	No

Claims between £100,000 and £500,000

Claim	Value (£)	Amended
Pooled Housing Capital receipts	413,576	No

Appendix 2 Housing and Council Tax Benefit Findings

Benefit type	Total included in the return (£)	Extrapolated adjustment (£)	Revised total (£)	Comments
Rent rebates	5,802,877	(1,265)	5,801,611	<p>The errors identified included both the overpayment and the underpayment of benefits. The errors occurred for the following reasons:</p> <ul style="list-style-type: none"> ■ Failure to correctly record the date of a change in circumstances; ■ Payslip data being entered incorrectly; and ■ Failure to apply the correct rent.
Rent allowance	7,425,277	(17,846)	7,407,431	<p>The errors identified included both the overpayment and the underpayment of benefits. The errors occurred for the following reasons:</p> <ul style="list-style-type: none"> ■ Incorrect calculation of a claimant's earnings; ■ Incorrect calculation of a dependent's deductions; ■ Entering the incorrect rent figure into the benefits calculation.

Benefit type	Total included in the return (£)	Extrapolated adjustment (£)	Revised total (£)	Comments
Council tax benefit	4,237,998	(18,576)	4,219,422	<p>The errors identified included both the overpayment and the underpayment of benefits. The errors occurred for the following reasons:</p> <ul style="list-style-type: none"> ■ The incorrect tax credit and statutory sick pay information was used to calculate a claimant's benefits; ■ Incorrect calculation of earnings; ■ Failure to consider the income of a non dependent.

Appendix 3 Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	Review the errors found by the Audit Commission and ensure that any additional training needs are identified and addressed	3	Divisional Head - Customer Support and Revenue Services	Yes	Agreed	Immediately following conclusion of audit process
7	Housing Subsidy Base Data - Ensure the claim agrees to supporting working papers and where annual amounts are required this are correctly shown	2	Assistant Chief Executive - Finance	Yes	Agreed	Immediate
7	National Non-Domestic Rates - Ensure the losses in collection figure agrees back to the bad debt charge in the accounts	2	Divisional Head - Customer Support and Revenue Services	Yes	Agreed	Immediate

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	Pooling of housing capital receipts - ensure that pooling returns are made on time	1	Assistant Chief Executive - Finance	Yes	Agreed	Immediate

If you require a copy of this document in an alternative format or in a language other than English, please call: **0844 798 7070**

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131
Fax: 0844 798 2945
Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

April 2011