

# Certification of claims and returns - annual report

Cannock Chase District Council

Audit 2010/11



# Contents

---

- Introduction.....3
- Summary of my 2010/11 certification work.....4
- Results of 2010/11 certification work.....5
- Summary of certification fees .....10

# 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 Audit Commission does not make certification arrangements and I am not required to undertake work (there were no claims below this threshold at the Council in 2010/11);
- 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 claims and returns. There were no significant amendments to the claims although I did issue a qualification letter on your Housing and Council Tax Benefit Scheme claim and your Pooling of Housing Capital Receipts claim.

I undertook work on six claims and returns with a total value of £65.2m for the year ended 31 March 2011 (£66.0m in 2009/10) that the Council was required to submit for certification. Amendments were required for your Housing and Council Tax Benefits Scheme claim, your HRA subsidy claim and your HRA finance base data return. A qualification letter was issued to the Department of Work and Pensions for your Housing and Council Tax Benefits Scheme claim and your Pooling of Housing Capital Receipts claim. The fees charged for 2010/11 were £32,457 compared with £35,131 in 2009/10 and £40,010 in 2008/09, a reduction of £7,552 over the past two years (table 1).

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£65.2m
Total number of claims and returns certified	6
Number of claims and returns amended due to errors	3
Number of claims and returns where I issued a qualification letter	2
Total cost of certification work	£32,457

# 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.**

The Council needs to manage the claiming of grant income carefully. If you cannot demonstrate that the conditions which are attached to these grants have been met then the funding may be at risk. In particular this means:

- providing 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.

Maintaining a strong control environment, providing clear supporting working papers and responding promptly (where applicable) to audit queries helps us to complete our work in an efficient and effective manner, which minimises the fees that are charged. We take this into account when reviewing your claims. Our considerations include the complexity and value of a claim, your systems of internal financial control, the quality of working papers and the experience of the staff compiling the claim. We were required to assess the control environment for four of the Council's claims in 2010/11 and were able to rely on the control environment for all of these claims. This reduced the level of work we had to undertake.

The overall arrangements of the Council are good and there have been improvements in the quality of the information held to support the majority of the claims. Of the six claims that required certification, we carried out a limited review of five claims, following our risk based assessment. Amendments were made to three claims but these were all of a minor nature. We issued qualification letters for two claims; Housing and council tax benefits and the Pooling of housing capital receipts.

## **Housing and Council Tax Benefits Scheme**

For the Housing and Council Tax Benefits Scheme claim we were required to undertake a full review and issued a qualification letter to the grant-paying body due to a small number of errors across the various benefit types. The qualification letter detailed the following issues.

- One case where benefit had been overpaid as a result of not acting on information relating to an increase in pension informed by the claimant.
- One case where there had been an underpayment of benefit for the period as thirteen weeks protection should have been applied and was not.
- One case where second adult rebate was not stopped which led to an overstatement of benefit on the claim form.
- One case where a claim was suspended and then cancelled two months later, which should have been shown as a technical error under the definitions given by DWP, but was incorrectly shown in the claim as an LA error.
- Two cases which were incorrect as a result of multiple amendments being made in a single day, confusing the order in which the system processes the amendments and resulting in the wrong figures being uplifted into the claim.

There were no amendments to the claim for the matters raised in the qualification letter. The Department of Work and Pensions may decide to investigate further the issues raised in our qualification letter for the Housing and Council Tax Benefits Scheme claim.

Given the complexity of the Benefits scheme and the volume of transactions involved it is not uncommon for amendments to be made and a qualification letter issued on this type of claim. The issues reported, in the main, are consistent with those that have been reported at other councils. I have not identified an error as a result of multiple amendments being made in the same day at other local bodies, but believe that this has been an issue for London Borough Councils in previous years. The Council has requested a response from the system provider to resolve this issue. However, it should be recognised that the Council has already processed three-quarters of the claims for 2011/12 and so this may be an issue which is identified in the testing next year.

Your Benefits Team has started along the shared services process and is in the process of transformation. The overall performance of the benefits team should be commended during this period of change. Senior managers need to ensure that strong leadership is maintained throughout the process to ensure that the team continues to provide a good, customer focused service as the transformation is delivered.

## **Pooling of Housing Capital Receipts**

Whilst there were no numerical inaccuracies within the Pooling of Housing Capital Receipts return, we were required to confirm to the grant paying department responsible for pooled capital receipts that the Council's approach to compiling the claim, which the department disagrees with, has not changed. This matter is the subject of ongoing discussions between the Council and the department.

Table 2: **Claims and returns above £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£33,642,721	Not required to be assessed as the Audit Commission prescribes a specific approach known as HB COUNT.	+£59,607 providing the Council with additional subsidy	Yes. Initial testing identified a small number of under & overpayments of benefits. Subsequent testing found these errors had not been repeated. Work completed by 30 November 2011 was reported as required by the certification instruction. A final qualification letter was issued as at 22 December 2011 which detailed the results of the additional testing undertaken.
National non-domestic rates return	£26,320,506	Yes. The minimum testing was completed due to the strong control environment.	None Required	No
HRA subsidy	£3,863,889	Yes. The minimum testing was completed due to the strong control environment.	Minor amendments to the number of houses disclosed.	No
Pooling of housing capital receipts	£995,820	Yes. The minimum testing was completed due to the strong control environment although we reviewed the accounting treatment of the pooling.	None required	Yes. Claim was not qualified but we confirmed to the grant paying department that the Council's approach to accounting for the pooling, which the department disputes, has not changed.

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
HRA subsidy base data return	N/A	Yes, although the certification instruction required additional testing (both parts A & B) due to the housing self financing changes coming in 2011/12.		

Table 3: **Claims and returns between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Disabled facilities	£300,000	Not required to be assessed as under the de minimus of £500,000.	None Required	No

In my 2009/10 report I noted your significant improvements in the production of grant claims and returns and made no recommendations for improvement. However, I commented that where councils undertook some of the required certification testing themselves (and verified by us) reductions in audit fees had been seen, particularly on the Housing and Council Tax Benefit Scheme claim. An additional advantage of councils undertaking the testing of this claim is that it draws on their specific housing benefit expertise and can assist in identifying areas for improvement from those who know the system the best.

In 2010/11, for the first time, you undertook your own testing on the Housing and Council Tax Benefit claim. We supported you with this by providing training and ongoing advice and support where required. The Council first undertook its own testing in April 2011 to provide the Department with additional information on an error from the 2009/10 qualification letter. The initial error identified in 2009/10 took the Council outside a tolerance

threshold when extrapolated, which should have resulted in a loss of subsidy. However, additional testing undertaken by the Council and verified by the Audit Commission satisfied the Department that the error was within tolerable levels and no subsidy was lost.

Following on from this, the Council agreed to undertake testing for the audit of the 2010/11 claim. Despite starting in July 2011, problems were encountered due to competing priorities for the Council in completing the testing by the agreed deadline of the end of October 2011. Once the initial testing was completed, it was identified that additional testing was required in accordance with the audit approach set by DWP. As a result of the initial delay this was not completed by the 30 November 2011 and it was not possible for us to complete our review and fully report to the Department by their deadline. Our letter of 30 November 2011 to the Department requested an extension until mid December 2011 to report on the outstanding area of testing. Testing was completed by this revised deadline and a final qualification letter was submitted on 22 December 2011 indicating the errors identified. These related to multiple amendments being made on the same day. The Council is currently awaiting a response from the system administrator to identify how to prevent this error.

The work undertaken by the Council has resulted in less time being input from the Audit Commission. However, the savings which could have been achieved have been negated by the additional time from Audit Commission staff to input the Council's work into the prescribed workbooks and prepare two qualification letters for the Department. Therefore, your fee for 2010/11 is broadly in line with that of 2009/10. We will continue to work with the Council to improve arrangements for 2011/12 and look to reduce the fee.

For 2011/12 the Revenues and Benefits service will continue to undergo significant changes. The shared services transformational agenda will require you to merge with the team from Stafford Borough Council to work as one. This transition is a recognised and managed part of the shared services programme. Whilst I am of the view that given the performance in 2010/11 there are no recommendations I am required to make, the Council should continue to monitor the performance of the Revenues and Benefits Service and that delivery of the work required to support the production and audit of the relevant claims and returns is undertaken in a more timely manner if the Council wishes to save audit costs going forward.

# 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	2008/09 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£19,530	£20,724	£24,373	The fee is in line with 2009/10 however, anticipated savings expected from the Council undertaking its own testing have not arisen due to a systems problem encountered and additional work required by the Audit Commission for additional reports to DWP.
National non-domestic rates return	£1,372	£3,115	£3,628	Significant decrease in fee due to the reduced work from the strong control environment and accuracy of the claim.
HRA subsidy	£3,027	£4,627	£5,508	Significant decrease in fee due to the reduced work from the strong control environment and accuracy of the claim.
Pooling of housing capital receipts	£3,084	£1,809	£1,540	Significant increase in fee due to the qualification letter and additional work required following the qualification in 2009/10.
HRA subsidy base data return	£4,515	£3,612	£4,512	Significant increase in fee due to the additional work required to undertake more detailed testing as per the certification instruction.

Claim or return	2010/11 fee	2009/10 fee	2008/09 fee	Reasons for changes in fee greater than +/- 10 per cent
Disabled facilities	£929	£1,244	£1,449	Significant reduction in fee due to the reduced work from the strong control environment and accuracy of the claim.
<b>Total</b>	<b>£32,457</b>	<b>£35,131</b>	<b>£40,010</b>	

The cost of preparing this grant claim report is included within the total fee above.

© Audit Commission 2012.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.



[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

February 2012