

Certification of claims and returns - annual report

Ashford Borough 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 and decide whether to place reliance on it. Depending on the outcome of that assessment, I undertook testing to agree form entries to underlying records and test the eligibility of expenditure or data.

The Authority may amend the claims and returns before my certification where I agree with officers that the claim entry is incorrect. 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 satisfactorily in preparing claims and returns in 2010/11.

The Authority presented six claims for certification in 2010/11, all by the specified deadlines.

I certified two claims and returns without amendment, but the other four claims were amended post audit. In addition I issued a qualification letter accompanying my certificate on one of the claims and returns.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	81,661,246
Number of claims and returns amended because of errors	4 out of 6
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	£27,617

The Authority significantly amended the figures on two of the claims following my audit (the housing subsidy and housing base data returns). These amendments were mainly due to an overstatement in the number of dwellings properties included in the claims. None of the issues I identified from my certification work have a material impact on the accounts, but the Council will need amend its 2011/12 accounts to correct the property overstatements identified during my grant work.

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights any significant issues arising from that work.

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	38,305,103	Y	2	Yes
HRA subsidy	-3,765,535	Y	-214,265	No
Housing finance base data return	n/a	Y	Dwelling numbers reduced by 21	No
National non-domestic rates return	38,851,040	Y	Nil	No

Housing and council tax benefit scheme

The housing and council tax benefit claim is by far the Authority's largest grant claim totalling over £38 million. A key element of our certification approach is detailed testing of a sample of benefit cases from the entries on the Authority's subsidy claim form. The testing considers whether the Authority has awarded benefit in accordance with the regulations, and recorded it correctly for subsidy purposes.

Our initial testing of 80 benefit cases identified six errors as follows:

- Two errors on rent rebates; because of one incorrect claim start date and one error in manually entered child benefit,
- Three errors on rent allowances because of wrong anniversary dates in two cases and an error in the input of payslip data in another case, and
- One error on council tax because of an error in the calculation of self-employed earnings in one case.

We completed more testing on another 40 cases for each of the error types identified. This testing did not identify any more errors. Most of the errors we found were underpayments, so I reported these in the qualification letter and they were subsequently rectified by the Authority. One error we found was an overpayment, so the Authority amended the claim for this error before my certification.

Housing finance base data return

The housing finance base data return details the housing assets held by the Authority. During our sample testing on this claim we identified one block of maisonettes which the Authority demolished in 2010/11, but did not remove from its asset register. Extra follow-up work, by the Authority, identified an overstatement of 21 properties in the asset register in total. The Authority amended the claim for these overstatements before my certification.

HRA subsidy

The Authority agreed to amend the housing subsidy claim for several errors we identified on audit before my certification. The amendments corrected entries for dwelling numbers, the average amount of borrowing, the average rate of interest and the capital financing requirements. Dwelling numbers were changed to reflect the amendments made during my earlier housing base data audit. The other changes were mainly due to amendments made by the Authority to include its PFI scheme, which the guidance had required them to exclude in previous years.

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	219,388	12	No
Disabled facilities	306,000	Nil	No

Pooling of housing capital receipts

Receipts are paid over to the department quarterly. Where a payment is made after the specified deadline the Authority should calculate interest on the late payment and reflect this in the return. The Authority made one payment late; but it did not calculate the interest on this late payment or include it in the return. The Authority amended the claim before my certification.

Summary of progress on previous recommendations

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

We made one recommendation in our 2009/10 annual grant report about the pooling of housing capital receipts claim. The Authority did not action this recommendation in the 2010/11 claim.

Table 4: 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
Pooling of housing capital receipts - Make all payments by the required quarterly deadlines or include the interest charge incurred for late payment in the year end return	Medium	31 March 2011	Finance Manager	Recommendation not implemented in 2010/11 claim (see above).	All 2011/12 payments made to date have been paid over by the quarterly deadlines. It is anticipated the final payment will be made on time.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Housing subsidy and housing finance base data returns - Ensure all additions and disposals of housing properties are accurately reflected in the Authority's asset register and claims and returns.	High	A reconciliation between the housing system, asset register and repairs system has been completed and this will be repeated prior to submitting the required returns for 2011/12.	30 June 2012	Senior Accountant Front Line Services
Pooling of housing capital receipts - Make all payments by the required quarterly deadlines or include the interest charge incurred for late payment in the return.	Medium	All 2011/12 payments made to date have been paid over by the quarterly deadlines. It is anticipated the final payment will be made on time.	30 June 2012	Principal Accountant

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	17,709	17,647	
Pooling of housing capital receipts	624	1,689	2010/11 Part A only
HRA subsidy	2,858	1,270	2009/10 Part A only
Housing finance base data return	2,695	1,459	2009/10 Part A only
National non-domestic rates return	1,869	1,889	
Disabled facilities	622	769	Control environment assessment not required in 2010/11
Planning and reporting	1,240	1,341	
Total	27,617	26,064	

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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.

