

Certification of Claims and Returns - Annual Report

Swindon Borough Council

Audit 2008/09

February 2010



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Status of our reports

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

- 1 This report sets out our findings from our certification of the authority's grant claims and returns for the financial year 2008/09. It provides a summary of the issues identified during our work, including amendments or qualifications made for any of the claims.
 - All claims and returns were sent to us on time. This is an improvement from last year.
 - We met all the certification deadlines.
 - This year no reports were required to be sent to the Grant Paying Departments. Three were sent last year.
 - An adequate control environment was identified for each claim. Our assessment takes into account the level of errors and the experience of staff compiling claims and returns.
 - The number of claims/returns with amendments rose from five in 2007/08 to six in 2008/09.
 - As a result of our audit of claims and returns this year the income receivable to the Council increased by a minimum of £273,793
 - Despite a recommendation issued in 2007/08 that detailed and adequate working papers should be prepared for all claims and returns prior to submission for certification, this was not the case for one return prepared by officers in housing finance.
 - Additionally, we noted some minor errors in preparing claims and returns which suggests that discipline in completing and reviewing claims can still be improved. Examples of this include transposition errors when recording details in the claims or returns from reports (noted in three separate claims), and poor attention to detail when completing returns as noted within the Housing Subsidy Base Data Return.
 - We have therefore made two recommendations for improvement this year compared to five last year.
- 2 We append an action plan containing recommendations for improvement in processes.
- 3 We acknowledge the help and assistance provided by the staff involved in co-ordinating the grant claims.

Background

- 4 The Council claims £161 million for specific activities from grant paying departments. As this is significant to the Council's income it is important that this process is properly managed. In particular this means:
 - an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 5 We are required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by government departments and public bodies to Swindon Borough Council. We charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 6 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

The key features of the current arrangements are as follows.

- For claims and returns below £100,000 the Commission does not make certification arrangements.
- For claims and returns between £100,000 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 or not 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. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
- 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 amount of grants work we carry out, placing more emphasis on the high value claims.

Certification approach

- 7 In completing the certification of grant claims and returns, we follow detailed guidance documented in the Audit Commission's Certification Instructions (CIs). These describe the purpose, the rules and regulations concerning the claim and the audit tests to be applied in the examination of the claim.
- 8 The certificate included on each claim or return, requires us to apply some of or all the tests in the relevant CI. This is dependant on the amount claimed and our assessment of the control environment surrounding the claim.
- 9 Where we are unable to certify that the entries are fairly stated, and that expenditure has been properly incurred in line with the conditions under which the claim is made, we either:
 - ask the Council to amend the claim/return; or
 - issue a report on the claim/return explaining why we are unable to certify the claim without qualification.
- 10 Where our certificate is qualified, we need to indicate or estimate the value of any errors in the claim/return. On receipt of our report, the grant paying department will consider what, if any, other action is appropriate. In some circumstances, the grant paying department may request further information and/or adjust any sum between them and the Council.
- 11 The results of our grant certification work will be used to support auditors' other responsibilities, including use of resources and data quality work.

Main conclusions

Summary of results

12 Table 1 sets out a summary of our audit of grant claims and returns for 2008/09.

Table 1 Analysis of audit results

	Number/Value £	Comments
Claims/returns audited	8	-
Value of claims/returns certified	£161,431,309	-
Claims/returns submitted for audit by the deadline	8	No claims were late.
Claims/returns amended by the Council as a result of our audit	6 (5 in 2007/08)	Amendments were made to the: <ul style="list-style-type: none"> • Housing and Council Tax Benefit claim; • Pooling of Capital Receipts return; • HRA Subsidy claim; • Housing Subsidy base data return; • National Non Domestic Rates; and • Teachers Pension return.
Value of amendments	£273,793 ¹	This is the actual and estimated effect of changes to monetary values.
Claims/returns where we reported issues to government department	0 (3 in 2007/08)	No Reports were issued.
Claims/returns not certified within deadline	0 (1 in 2007/08)	All claims were submitted to the grant paying body on time.

¹ This is the sum total to the calculable changes in subsidy to the council, We are unable to ascertain the effects of changes made to the base data return as it impacts on the HRA subsidy.

Main conclusions

13 The key points from Table 1 are that:

- the Council improved its performance in submitting claims for certification;
- there was an increase in the number of claims / returns that needed amendment;
- whilst the number of amendments has risen, the number of reports has dropped to zero; and
- all claims were certified and submitted to the departments on time.

Qualitative issues arising

14 Our work this year identified that detailed and adequate working papers were not prepared for one return before submission prior to submission for audit despite a general recommendation in this area last year.

Recommendation
<p>R1 Preparation of working papers.</p> <ul style="list-style-type: none">• Individuals responsible for preparing claims/returns must ensure they have prepared appropriate working papers to support claims/returns before submission.

15 Additionally, the level of errors and amendments increased this year. This suggests that discipline in completing and reviewing claims can still be improved

Recommendation
<p>R2 Preparing and reviewing claims / returns</p> <ul style="list-style-type: none">• Individuals responsible for preparing claims/returns must ensure they have read and used the correct guidance when preparing a claim for certification.• Individuals responsible for verifying that claims and returns are accurate before certification should ensure that entries in claims and returns are supported by the working papers.

16 The following section sets out a detailed summary claims/returns certified.

Review of claims/returns

- 17 Set out below, are the key issues arising from the audit of the most significant claims/returns.

Housing and council tax benefit claim

- 18 While, we were able to certify the claim without any report to the grant paying department, the Council needed to amend it.
- 19 Although no report was issued, some matters have been raised with the Head of Benefits, specifically the following.
- In our mandatory sample of 80 cases, five failures were identified, four of which were due to the incorrect application of information into the Benefits systems. Three cases caused in a reduction in subsidy as the claimants had been overpaid. The fourth was an overpayment, which was reversed, resulting in a significant amount of additional subsidy being added to the claim. In the fifth case, benefit payment continued even though insufficient information was provided by the claimant following receipt extend payments. The guidance states this must be reclassified and Local Authority error overpayment.
 - We had identified some problems with the classification of overpayments last year, and some additional testing was conducted by benefit staff for this claim. However, continuing problems were identified and so we have agreed that the authority will again undertake additional testing on overpayments next year.

Housing Subsidy Base Data return

- 20 No report was issued, although, there were many amendments made to the draft return before certification, these were as follows.
- It was noted that the total flats and houses recorded in the analysis of dwellings section, (cells F0036mm and F0037mm), did not agree with the number at the beginning of the return. This was due to the numbers of houses being understated and the cell was subsequently corrected.
 - The figure for the F04cc (Estimated amount of principal outstanding on 1 April 2010) was incorrect. The preparer had used the figure for 1 April 2009 instead of 1 April 2010.
 - Many cells within the rental income section of the form (F009RI to F0016RI) had to be revised, as they were not initially supported by any working papers. Once these were prepared, they were different to those initially disclosed.
 - The analysis of traditional dwellings (fields F001MM to F008MM and reflected again per F017MM to F024MM) was revised. As the return was prepared using figures from the unrevised 2007/08 return, with changes to housing stock in the 2008/09. The return should have been prepared by applying the changes in housing stock on the certified figures in the 2007/08 return.

Review of claims/returns

- Amendments to traditional and non traditional flats, (fields F009MM to F013MM) were also applied as a follow-on effect of the changes in the set of cells noted just above.
- The cell for total re-lets, (F041MM) and total terminations, (F042MM) were amended. The figures entered differed to those in a breakdown provided during the certification process.

Pooling of Housing Capital receipts

- 21 The return was amended, as it included a deduction for gas surveys completed. Whilst this would normally be allowable, the surveys were not completed in time so could not be included within the 2008/09 return.

General Sure start

- 22 The claim was certified without reporting or amendment. However, we did issue a recommendation as assets for the scheme were held in a standalone register, but were not included within the Asset Register for the council. The preparing officer agreed that whilst a separate register is useful for easier monitoring of their assets, these items should be included within the council wide register.
- 23 We have now received the returned action plan from the officer confirming that this recommendation has been completed.

National Non Domestic Rates

- 24 This claim required an amendment, due an entry being overstated following a transposition error from a report.

Housing Subsidy

- 25 This return was certified following two sets of amendments.
- The first was for three cells in the returns that had nil balances, but were left empty on the return. The certification process requires that all cells be filled, even if they should be zero.
 - The second was for a cell that had been understated by £700,000, due to a short term loan not being included within the calculation for cell F002CI (average amount of borrowing)

Teachers Pension

- 26 This claim was certified with one minor adjustment in a cell to complement a report produced as part of the working papers.

Disabled Housing Facilities Grant

- 27 This claim was certified without any report or amendment.

Appendix 1 – Summary of grant claims for 2008/09

The table below summarises the results of our audit for each individual claim

Table 2 Summary of individual grant claims

CI Ref	Description	Value of claim/return	Submitted to audit on time	Auditor deadline met	Claim amended	Adequate control environment	Impact on subsidy	Claim qualified
BEN01	Housing and council tax benefits scheme	55,382,282.00	Yes	Yes	Yes	Yes	+£230,089.00	No
CFB06	Pooling of housing capital receipts	2,029,481.76	Yes	Yes	Yes	Yes	-£295.62	No
EYC02	General Sure start grant	4,952,185.00	Yes	Yes	No	Yes	N/A	No
HOU01	HRA subsidy	-9,417,780.00 (this reflects the return showing a payments needs to be made to CLG)	Yes	Yes	Yes	Yes	Unknown	No

Appendix 1 – Summary of grant claims for 2008/09

CI Ref	Description	Value of claim/return	Submitted to audit on time	Auditor deadline met	Claim amended	Adequate control environment	Impact on subsidy	Claim qualified
HOU02	HRA subsidy base data return	-	Yes	Yes	Yes	Yes	We are unable to determine the effects of changes in the return	No
HOU21	Disabled facilities	375,000.00	Yes	Yes	No	Yes	N/A	No
LA01	National non-domestic rates return	97,078,797.28	Yes	Yes	Yes	Yes	+£44,000.00	No

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Preparation of working papers. <ul style="list-style-type: none"> Individuals responsible for preparing claims/returns must ensure they have prepared appropriate working papers to support claims/returns before submission. 	2	Preparing officers			
7	R2 Preparing and reviewing claims/returns. <ul style="list-style-type: none"> Individuals responsible for verifying that claims and returns are accurate before certification should ensure that entries in claims and returns are supported by the working papers. 	2	Preparing officers			

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