

# **Certification of claims and returns - annual report**

**North West Leicestershire District Council**

**Audit 2009/10**

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# 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 demonstrate to the auditors that it has met the conditions which attach 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 we amended or qualified.**

## Certification of claims

**1** North West Leicestershire District Council receives more than £30 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 that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.

**2** In 2009/10, we certified 6 claims or returns with a total value of over £70 million. Of these, we carried out a limited review of 5 claims and completed a full review for one of the claims (refer to paragraph 11 below). We amended one claim and issued a qualification letter for this claim. This has been summarised in Appendix 1.

## Significant findings

**3** All claims and returns were well compiled. We did not detect any significant errors and matters reported to the grant paying bodies did not relate to fundamental errors or uncertainties.

**4** My team worked with the Council to reduce the level of fees in respect of the Housing and Council Tax Benefit claim. Some sample testing was completed by the Council in house and we were able to rely on it after we reviewed the completed work. This reduced the fees in comparison to last year.

## Certification fees

**5** The fees charged for grant certification work in 2009/10 were £24,537.50 (£29,600.00 in 2008-09) and has been analysed in Table 1 below.

Table 1: **Certification Fee Per Grant Claim**

<b>Grant Claim</b>	<b>Certification Fee 2009-10 (£)</b>	<b>Certification Fee 2008-09 (£)</b>
Housing and Council Tax Benefit	20,697.50	26,960
Pooling of Housing Capital Receipts	675	1,298
Housing Subsidy	695	1,317
HRA Subsidy Base Data Return	1,067.50	1,138
Disabled Facilities Grant	212.50	352
National Non Domestic Rates Return	1,190	1,402
Grants Planning, Supervision and Review	Nil	62
Grants Refund	Nil	(2,929)

**6** The rest of this report summarises our specific findings for each of the claims and returns.

## **Actions**

**7** Appendix 2 sets out the recommendations arising from our work which have been agreed by officers.

# Background

**8** The Council claims more than £28 million for specific activities from grant paying departments and pays over nearly £47 million in National non-domestic rate receipts and negative housing subsidy. As these amounts are significant to the Council's income and expenditure 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.

**9** We are 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 North West Leicestershire District 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.

**10** The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments. The guidance for the audit of each claim is set down in a "Certification Instruction".

**11** 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 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.

# Findings

## Control environment

**12** For claims and returns over £500,000 we have once again been able to rely on the Council's control environment. This means that we carried out limited testing, leading to lower fees. As in previous years, the one exception is the Housing and Council Tax Benefits Claim, where the certification instruction requires auditors to undertake full testing.

**13** As noted in our 2008/09 Certification of Claims and Returns Report, there was no evidence of review of working papers by senior officers or a single comparison of entries year on year. Our work in 2009/10 showed that this continued to be the case. I have therefore, reiterated my 2008-09 recommendation.

### Recommendation

**R1** Evidence that working papers and claim entries are reviewed by a senior officer prior to submission for audit should be retained.

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**14** The Council completed most of its claims and returns in accordance with the submission deadlines and submitted them to me promptly. Our routine queries were dealt with efficiently.

## Specific claims

**15** This section of the report details specific findings for each of the claims audited.

### Housing and Council Tax Benefit

**16** Guidance for auditing the Housing and Council Tax Benefit claim requires us to complete full testing in accordance with the Department for Work and Pensions requirements. These requirements include initial sample testing of 20 cases for each type of benefit claimed. In 2008/09 the Council completed some of the initial testing, increasing the amount in 2009/10. We reviewed the work and were able to rely on it after some additional work on evidencing carried out by audit staff.

**17** The sample testing has to be completed in accordance with the certification requirements and documented using electronic workbooks, as agreed with the department for Work and Pensions. To ensure the work completed by the Council met the required standard, we undertook certain quality control procedures, namely:

- further training of Council staff on the use of electronic workbooks;
- discussion on the nature of the documentation and supporting evidence required; and
- providing support to Council staff and responding to queries through to completion of the sample testing.

**18** This is the principal reason the fees charged for the Housing Benefit audit have fallen from £26,960 in 2008/09 to £20,697.50 in 2009/10.

**19** Where there are any errors identified in the initial sample auditors are required to sample test an additional 40 cases (known as 40+ testing) for the specific benefit type an error relates to. Following this the auditor will decide whether there is a fundamental system weakness and report the error to the Department for Work and Pensions, or whether the error is a 'one-off', in which case the claim is amended.

**20** The initial testing carried out identified one error which required 40+ testing. The error related to the classification of Council Tax Benefit overpayments. In four cases the initial period of the overpayment had been classified as Eligible excess benefit instead of LA error and administrative delay. We specifically tested another 40 overpayments and found an additional 15 errors. This has been reported to the Department of Work and Pensions in my qualification letter sent with the certified claim.

**21** Minor reconciliation differences were identified between the amount of benefit paid and granted. This has also been reported in my qualification letter.

**22** These issues will need to be addressed by the Council in compiling the 2010/11 claim.

## Recommendation

**R2** The Council should address the issues raised in the qualification letter issued with the Housing and Council Tax Benefit 2009/10 claim.

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**23** In addition, we identified an error in the claim compilation. This related to Non HRA Rent Rebates which had been incorrectly summarised within the Council's working papers. We were able to amend the claim for this error, increasing the total subsidy claimed by £4,210.



## Pooling of Capital Receipts

**24** As in previous years, this claim was not completed prior to the local authority deadline of 30 June 2010 although we understand that this year the Council had some difficulty obtaining the correct form from the relevant government department for completion. We received the claim for audit on the 30th September 2010, the submission deadline for audited claims.

**25** We were able to re-assign audit resources and complete the audit of the claim on the date received, but may not be able to do so in the future which would result in late submission. Late submission of claims could result in penalties being imposed by the relevant grant paying department.

## Recommendation

**R3** The Council should liaise with government departments to ensure that all claims are completed prior to the deadlines set by the relevant grant paying department, in particular the Pooling of Capital Receipts return.

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## Other Grant Claims

**26** We are pleased to report that we did not identify any amendments and gave unqualified certificates for the following grant claims:

- HRA Subsidy Base Data Return
- Disabled Facilities Grant
- National Non Domestic Rates Return

**27** As illustrated in Table 1 above, the working papers provided in support of these grant claims were of a good standard and we were able to reduce the fees for each claim.

## Appendix 1 Summary of 2009/10 certified claims

### Claims and returns above £500,000

Claim	Value £000	Adequate control environment	Amended	Qualification letter	Fee charged
Housing and Council Tax benefit	21,850	N/A	Yes	Yes	20,697.50
Housing subsidy (negative subsidy payable to the CLG)	3,644	Yes	No	No	695
HRA subsidy base data return 2011/12	N/A	Yes	No	No	1,067.50
National Non Domestic Rates Return	43,774	Yes	No	No	1,190

### Claims between £125,000 and £500,000

Claim	Value £000	Amended
Pooling of capital receipts	283	No
Disabled Facilities Grant	214	No

## Appendix 2 Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Claims and Returns Report 2009/10 - Recommendations						
	R1 Evidence that working papers and claim entries are reviewed by a senior officer prior to submission for audit should be retained	1	Pritesh Padaniya	Yes	None	June 2011
	R2 The Council should address the issues raised in the qualification letter issued with the Housing and Council Tax Benefit 2010/11 claim.	3	Sue Williams-Lee	Yes	None	June 2011
	R3 The Council should liaise with government departments to ensure that all claims are completed prior to the deadlines set by the relevant grant paying department, in particular the Pooling of Capital Receipts return.	1	Pritesh Padaniya	Yes	None	June 2011

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