

Certification of claims and returns - annual report

Newcastle Under Lyme Borough 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	7

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 qualification letters on your Housing and Council Tax Benefit claim and Disabled Facilities claim.

I undertook work on three claims and returns with a total value of £62 million for the year ended 31 March 2011 (£63 million in 2009/10) that the Council was required to submit for certification. Your Housing and Council Tax Benefits and National Non-Domestic Rates claims required amendment and qualification letters were also issued for the Housing and Council Tax Benefit and Disabled Facilities Claim. The fees charged for 2010/11 were £23,644 compared to £26,701 in 2009/10 (Table 1).

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£62m
Total number of claims and returns certified	3
Number of claims and returns amended due to errors	2
Number of claims and returns where I issued a qualification letter	2
Total cost of certification work	£23,644

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.

The overall arrangements of the Council are good and the quality of the information held to support the claims has been maintained. Of the three claims that required certification in 2010/11, your Housing and Council Tax Benefits and National Non-Domestic Rates claims required amendment and qualification letters were also issued for the Housing and Council Tax Benefit and Disabled Facilities Claim (Table 2). 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 were consistent with those that have been reported at other councils and occurred against the background of your Benefits Team implementing a new IT system. The relatively minor nature of the amendments and issues raised in the qualification letter reflect a strong performance by the team. The amendment to the Non-Domestic Rates claim relates to an error made compiling the claim and the report on the Disabled Facilities Grant arose due to an error on a cell pre-filled by the government department and was not an error by Authority staff.

Table 2: **Claims and returns**

Claim or return	Value of claim or return presented for certification	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£35,099,063	Not required to be assessed as the Audit Commission prescribes a specific approach known as HB COUNT.	Increase of £69,180	Yes. Initial testing identified a number of errors which were either amended or reported as required by the certification instruction.
National non-domestic rates return	£26,810,837	No. The Council implemented a new NNDR system part way through the year. In these circumstances we are required to undertake additional tests in line with the certification instruction.	Decrease of £63,300 in the amount payable to the national pool.	No
Disabled facilities	£504,000	Yes. The claim is not complex and the control environment has not changed.	None Required	Yes. Testing identified that an additional grant allocation had been received that had not been identified by the Government Department on the electronic system. We reported this to the department for information.

In my 2009/10 letter I noted your arrangements were sound for the production of grant claims and returns and made no recommendations for improvement.

I am of the view that given the good performance in 2010/11 there are no recommendations I am required to make. You need to continue to monitor the performance of the Revenues and Benefits Service and ensure that it maintains the sound arrangements it has in place for the production and audit of all of the relevant grant claims and returns.

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 3: 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	£18,462	£19,749	This is the second year where authority staff undertook both the initial and extended testing using our workbooks, enabling further efficiencies to be made.
National non-domestic rates return	£3,117	£2,135	Increase in testing required because of audit approach.
Disabled facilities	£1,120	£1,157	
Advantage West Midlands	£0	£2,715	No claim submitted for audit in 2010/11
Grant Claims Report	£945	£945	
Total	£23,644	£26,701	

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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.

