

Certification of claims and returns - annual report

Crawley 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 have 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 the Audit Commission arranges certification it issues instructions setting out the work auditors must do before they give their certificate. The work needed varies according to the value of the claim or return and the requirements of the government department or grant-paying body:

- for claims and returns below £125,000 I do not carry out any work;
- for claims and returns between £125,000 and £500,000, I undertake limited tests to agree form entries to underlying records, but do not test that the data or expenditure is eligible; and
- for claims and returns over £500,000 I plan and perform my work under the certification instruction. I assess the control environment for preparing the claim or return and decide how much I can rely on your controls. Based on my assessment, I tailor my approach to agree form entries to underlying records and test that the expenditure or data is eligible.

Where I agree it is necessary you can amend your claim or return. 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

You performed well in preparing claims and returns, although my work identified the need to amend the housing finance base data return (HOU02), one of the six claims and returns that you presented for certification. I issued a qualification letter for this return.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified (£'000)	£276,261
Number of claims and returns amended due to errors	1
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	£34,620

I found that claims and returns were mostly well prepared. However, as noted above, I found some errors with one claim which resulted in a number of amendments. Through my audit of your claims for 2010/11 I found that working papers to support claims could be improved. This would help to reduce such errors and should further reduce the audit time required to complete the grant claims. A guide, 'Claims and returns: Good Practice for Authorities' is available on the Audit Commission website and this includes useful guidance on suggested working papers which you could produce to support your claims and returns. See recommendation 1 below.

Recommendation

R1 Review 'Claims and returns: Good Practice for Authorities' and consider producing the working papers suggested to support claims and returns.

Further information on the claims certified and issues raised are shown in the section below.

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.

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?	Recommendation from prior year implemented?
Housing and council tax benefit scheme (BEN01)	51,514	No. The certification instruction requires me to follow the specified testing method known as HB COUNT.	None	No	N/a – none made
Pooling of housing capital receipts (CFB06)	2,851	No. I had not tested the controls in place during the year and could not seek to rely on these for the claim work.	None	No	N/a – none made

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?	Recommendation from prior year implemented?
Housing finance base data return (HOU02)	N/a – this return is a series of entries used by DCLG to model and set the self-financing settlement. Therefore, there is no value to record here.	No. This was a high risk claim for 2010/11 as it informed the housing revenue account (HRA) self-financing settlement determination that calculated the Council's self-financing arrangements.	8 amendments were made to the claim.	Yes. See comments below.	N/a – none made
HRA subsidy return	-14,537	No. I had not tested the controls in place during the year and could not seek to rely on these for the claim work.	None	No	N/a – none made
National non-domestic rates return	104,006	Yes.	None	No	N/a – none made

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
Disabled facilities	£325,000	None	No

Housing finance base data return (HOU02)

As part of the Localism Bill, the Department for Communities and Local Government (DCLG) is reforming local authority housing finance by adopting a self-financing model from 1 April 2012. This will replace the current Housing Revenue Account (HRA) subsidy system. The HOU02 return was used by DCLG to inform the HRA self-financing settlement determination that calculated the Council's self-financing arrangements. As a result of this change, this was a high risk claim for 2010/11 and I had to undertake additional testing to complete the certification of the return.

The certification instructions for the claim require me to report in a qualification letter if I have any concerns over the categorisation of terraced houses. You were unable to provide a clear audit trail to support the split of usable floor areas of pre-1945 and 1945-1964 terraced houses between 'large' and 'small'. As my team could not sample test the classification of the properties back to prime documentation (usable floor area plans), I could not confirm that the classification of some cells were correct and issued a qualification letter. In addition, I identified a number of errors in the claim which you amended. This claim will not be required in 2011/12 therefore I have not made any recommendations regarding the issues found.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation. I did not make any recommendations in my report last year.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
R1 Review 'Claims and returns: Good Practice for Authorities' and consider producing the working papers suggested to support claims and returns.	Medium	Agreed	For 2011/12 grant claims	Corporate Accounting and Treasury Services Manager

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 fees from 2009/10.

Table 5: 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 (BEN01)	£20,629	£32,437	Increased efficiency in my approach and a more experienced team meant I completed the work more quickly. In addition, I did not identify any issues with the grant claim in 2010/11 but I had to undertake more testing in 2009/10 to address an issue identified.
Pooling of housing capital receipts (CFB06)	£1,278	£1,200	Variance less than 10% so no explanation required
HRA (Housing Revenue Account) subsidy (HOU01)	£2,627	£2,169	We relied less on your staff to resolve queries this year and therefore the claim took slightly longer to complete.

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing finance base data return (HOU02)	£7,435	£5,328	This claim was high risk in 2010/11 because of the move to HRA self-financing. As a result, I had to undertake additional testing. In addition, my testing identified that amendments to the claim were needed before I could certify the claim. I also issued a qualification letter with the certified claim.
National non-domestic rates return (LA01)	£1,108	£5,401	I took a controls based approach to certifying the claim for 2010/11.
Disabled facilities (HOU21)	£351	£1,203	The claim took less time to complete this year.
Reporting and management	£1,192	£2,128	This fee includes my time to manage the delivery and report the findings of my work. This has taken less time in 2010/11.
Total	£34,620	£49,866	Overall grant claim fees have decreased by 30% for 10/11.

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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.

