

Certification of Claims and Returns - Annual Report

South Ribble Borough Council

Audit 2008-2009

February 2010



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

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. Additionally, the council must ensure that it has complied with regulations for compiling financial returns.

Our certification of claims and returns for 2008/09 did not identify any areas of concern.

Certification of claims and returns

- 1 South Ribble Borough Council receives almost £22m funding from government departments. Additionally, the Council is responsible for collecting non-domestic rates to the value of £29m. This is paid over to the national pool and an auditor certified return is required.
- 2 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.
- 3 In 2008/09, my audit team certified three claims with a total value of £51 million. Of these, we carried out a limited review of one claim and a full review of two claims. (Paragraph 10 explains the difference). We made an amendment to one claim which has not affected the level of grant due to the Council. We did not issue any qualification letters to government departments. Appendix 1 sets out a full summary.
- 4 The fees I charged for grant certification work in 2008/09 were £24,589.

Significant findings

- 5 I am pleased to be able to report that our certification work did not identify any concerns about the Council's arrangements. We have therefore made no recommendations for improvement.

Background

- 6 The Council completed claims and returns with a total value of £51m to government departments. This is clearly significant to the Council and it is therefore 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.
- 7 I am 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 South Ribble Borough Council. I 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.
- 8 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the government departments.
- 9 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 is not 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.
 - 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.

Background

- 10 The work that we undertake to certify the Housing Benefits claim for the Department of Work and Pensions is slightly different. Because of the high value and inherently high risk nature of the claim, the auditor has to test the entries on a Council's claim form. In doing this we:
- confirm that the subsidy claim has been completed using the recognised software for claim completion;
 - undertake an analytical review for a year by year comparison and comparisons to other Councils; and
 - carry out detailed testing of individual claims for benefit to ensure the Council is calculating benefit entitlement correctly and reporting accurate performance information to the Department of Work and Pensions.

Findings

Control environment

- 11 We have assessed that the control environment at the Council is good and that this generally applies to the compilation and checking of grant claims and returns.
- 12 I have placed limited reliance on the control environment in the completion of the housing and council tax benefits claim. This is because the certification arrangements for housing and council tax benefits agreed nationally by the Audit Commission and the Department for Work and Pensions require a full review.
- 13 The other significant grant claim audit relates to national non domestic rates and the information from this comprises a major part of the Collection Fund. During 2008/09 we undertook a full review of the return to help inform our overall opinion on the financial statements.

Specific claims

- 14 Our testing in respect of all three returns did not identify any significant concerns. None of the claims were qualified and the only amendment which was required was a minor change to the national non-domestic rates return. Income Collectable was understated by £151,937 whilst expenditure to the national pool was also understated by the same amount. There is no overall impact on the year end position of the Collection Fund as both income and expenditure were overstated by the same amount. This has already been reported to the Council in our Annual Governance Report to the Governance Committee in September 2009.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	21,591,356	Yes	No	No
National non-domestic rates return	28,895,811	Yes	Yes	No

Claims between £100,000 and £500,000

Claim	Value £	Amended	Qualification letter
Disabled Facilities	221,000	No	No

The Audit Commission

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Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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