

Certification of claims and returns - annual report

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

This report summarises the findings from the certification of 2009/10 claims and returns. 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 South Ribble Borough Council receives more than £25 million funding from government 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. Additionally, the Council is responsible for collecting non-domestic rates to the value of £29 million which are paid over to the national pool and for which an audited return is required. 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, my audit team certified three claims with a total value of £55 million. Of these, we carried out a limited review of two claims and a full review of one claim (paragraphs 8 and 9 explain the difference). For one of the claims, an amendment was necessary and some minor errors we identified meant we were required to issue a qualification letter to the grant-paying body. The amendment did not affect the Council's total claim, and the government department's assessment of the net effect of the qualification was to increase the level of subsidy received by the Council by £4,197. The other two claims were not amended or qualified. Appendix 1 sets out a full summary.

3 The fees I charged for certification work in 2009/10 were £25,576. This represents a reduction in fee compared to last year of £3,843. This in part relates to our audit of the council's Non Domestic Rates Return where we undertook a limited review this year compared to a full the previous year.

Significant findings

4 I am pleased to be able to report that our certification work did not identify any concerns about the Council's arrangements. The errors we identified were in respect of only one claim and were minor in nature.

Background

5 The Council completes claims and returns to government departments with a total value of £54.593 million. This reflects a major proportion of the Council's activities 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.

6 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.

7 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

8 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.

9 The work we undertake to certify the Housing and Council Tax Benefits Subsidy 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 is required 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

10 We have assessed that the control environment at the Council is good and we have continued to maintain very good working relationships with the Council's officers.

11 One of the largest claims is for housing and council tax benefits, for which the certification arrangements, agreed nationally between the Audit Commission and the Department for Work and Pension (DWP), require a full audit review in all cases.

12 The other major return relates to national non-domestic rates and the information from this comprises a significant part of the Collection Fund in the financial statements. We undertook a full review of the return in 2008/09, and the assurance we gained from this meant that only a limited review was required for 2009/10.

13 The remaining claim is in respect of disabled facilities grants, where we carried out a limited review as the value of the claim was below the threshold for detailed testing.

Specific claims

14 Our testing in respect of all three returns did not identify any significant concerns. The only claim which was amended or qualified was that for housing and council tax benefits subsidy. The amendment was merely a change in categorisation of some of the claim's entries which had no effect on the subsidy receivable by the Council. The qualification related to a small number of minor errors. Where errors are identified we are required to do further testing. We informed the DWP of our findings and they assessed the impact of these errors and has determined that the net effect is to increase the subsidy receivable by the Council by £4,197.

15 The other two claims were not amended or qualified.

Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and Council Tax Benefit Subsidy	25,168,467	Yes	Yes - no impact on level of subsidy	Yes - resulting in an increase in subsidy to the Council of £4,197
National Non- Domestic Rates Return	29,223,439	Yes	No	No

Table 2: **Claims between £125,000 and £500,000**

Claim	Value £	Amended	Qualification Letter
Disabled Facilities Grant	201,000	No	No

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