

# Certification of claims and returns - annual report

Dover District Council

Audit 2010/11



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# Introduction

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**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 Commission does not make certification arrangements and I was not required to undertake work;
- 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 to agree form entries to underlying records and test the eligibility of expenditure or data.

The Authority may amend the claims and returns before my certification where I agree with officers that the claim entry is wrong. 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 satisfactorily in preparing claims and returns in 2010/11

The Authority presented six claims for certification in 2010/11, all by the specified deadlines. I certified four claims and returns without amendment, but my work gave rise to amendment in two other claims and returns for the year ended 31 March 2011. In addition I issued a qualification letter accompanying my certificate on the housing and council tax benefit claim.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	80,799,442
Number of claims and returns amended because of errors	2
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	£50,862

None of the issues I identified from my certification work have a material impact on the accounts. However, the Authority significantly amended the figures on the national non-domestic rate return, on audit, to reflect the impact of a manual adjustment made to the 2009/10 return.

We had to do more testing on the housing benefit and council tax claim because of the errors we identified in the initial sample. As last year, this extra testing had a significant impact on the total cost of the certification work. We worked with the Authority to minimise the cost by agreeing with officers that the benefits department and internal audit would do some of the extra work required. This saved the Authority a further £5,100.

# 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?
Housing and council tax benefit scheme	45,159,878	Yes	7,185	Yes
HRA subsidy	-5,386,213	Yes	nil	No
Pooling of housing capital receipts	722,609	Yes	nil	No
Housing finance base data return	n/a	Yes	nil	No
National non-domestic rates return	24,763,310	Yes	4,352,246	No

## Housing and council tax benefit scheme

The housing and council tax claim is by far the Authority's largest grant claim totalling over £45 million. A key element of our certification approach is detailed testing of a sample of benefit cases from the entries on the Authority's subsidy claim form. The testing considers whether the Authority has awarded benefit in accordance with the regulations, and recorded it correctly for subsidy purposes.

Our initial testing of 80 benefit cases identified the following errors:

- 11 errors on non-HRA rent rebates, including three cases where service charges deducted from rents were wrong and eight cases where the split of payments under and over cap was incorrectly analysed,
- One error on rent rebates because of a miscalculation of the claimant's weekly income, and
- Two errors on rent allowances, one because of a miscalculation of the claimant's average weekly income and one because of an error in occupational pension income.

On receiving this feedback, the Authority reviewed the analysis of all non-HRA rent rebate figures under and over the cap. We reviewed the Authority's extra work in this area and agreed with the Authority the resulting claim amendments. In addition, we completed more testing on another 160 cases of similar types (as specified in the mandated audit approach). This testing identified 22 more errors.

Officers agreed to amend the claim to correct all analysis errors and the extrapolated impact of the overpayments identified from our work. I reported the results of our testing in the qualification letter, with the minor unresolved differences shown in the reconciliation of benefits granted to benefits paid.

## National non-domestic rates return

The Authority amended the claim on audit, to add back a rateable value deduction for the Channel Tunnel which was posted in the 2010/11 financial ledger, but had already been reflected in the 2009/10 return, on agreement from central government, as a manual pre-audit adjustment. The Authority also made minor changes to discretionary rate relief and interest.

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

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made (£'000)	Qualification letter
Disabled facilities	408,000	nil	No

# Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

Table 4: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
<b>Housing and council tax benefit:</b> Remind all benefit staff of the correct procedure to calculate earned income and record baby premiums as part of the benefit entitlement assessment.	Medium	31 May 2011	Mark Gilmore	Partly completed. We did not identify any issues about baby premiums in 2010/11, but we identified earned income errors again during this year's testing.	
<b>Housing base data return:</b> Ensure adequate checks of returns are made prior to submission to ensure the correct figures have been recorded.	High	10 October 2011	Luke Sibley	Completed. We did not identify any significant errors in this year's return.	

# Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
<b>Housing and council tax benefit</b>				
Circulate details of the benefit payment errors identified in 2010/11 to all benefit staff, with details of actions that staff should take to minimise the level of errors in the future.	High	Lead officers made staff in the housing and council tax benefit departments aware of the audit findings on completion of the audit. An ongoing programme of quality checking is in place, under which key risk areas are being reviewed. This includes a planned review of all earnings cases before the audit of the 2011/12 claim.	29 February 2012	Mark Emery
Fully reconcile benefits granted to benefits paid (excluding modified schemes) or reflect the lower of the two figures in the claim form	High	Reconciliations will be carried out in year to try and eliminate any unresolved differences. If year end differences are not material the Finance Director will be informed of the difference and the lower of the two amounts will be claimed.	31 May 2012	Paul Boots



# 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 6: 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	40,576	38,381	
Pooling of housing capital receipts	813	1,034	2010/11 Part A only
HRA subsidy	3,618	1,516	2009/10 Part A only
Housing finance base data return	2,390	5,023	Less time required to complete parts A and B in 2010/11 as full audit also completed in 2009/10
National non-domestic rates return	1,476	2,195	2010/11 Part A only
Disabled facilities	655	609	
Coastal Erosion	0	1,402	No claim to be audited in 2010/11
Planning and reporting	1,334	1,364	
<b>Total</b>	<b>50,862</b>	<b>51,524</b>	

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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.



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