

Certification of Claims and Returns - Annual Report

North Shropshire District Council

Audit 2008/09

January 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.

This report summarises the findings from the certification of 2008/09 claims. 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** North Shropshire District Council receives more than £24 million funding from various grant-paying departments that are certifiable by the Audit Commission. 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.
- 2** In 2008/09, my audit team certified four claims with a total value of £24 million. Of these, we carried out a limited review of one claim and a full review of three claims. (Paragraph 7 explains the difference.) We amended the Housing and Council Tax Benefits grant (which was subject to a full review) which had no effect on entitlement. In respect of this claim we issued a qualification letter as minor variances were identified between values in the claim and those recorded within the benefits system. We amended the Advantage West Midlands Single Programme Ellesmere Market Towns grant which had no effect on entitlement. Appendix 1 sets out a full summary.
- 3** The fees I charged for grant certification work in 2008/09 were £37,409.

Background

- 4 The Council claims £24 million for specific activities from grant paying departments which are certifiable by the Audit Commission. As this is significant to the Council's income it is 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.
- 5 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 North Shropshire District 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.
- 6 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 7 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 form 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.

Findings

Control environment

- 8 It has not been possible to rely on the control environment for the three claims above the threshold as listed in Appendix 1, because these claims are all for schemes of a complex nature. The risk associated with such a large volume of transactions within the Revenue and Benefits claims meant testing of eligibility of expenditure was necessary.
- 9 We have not made any recommendations to improve the control environment. Therefore the Council does not need to take any action to improve the control environment.

Specific claims

- 10 A qualification was made on the Housing and Council Tax Benefit grant because of minor variances on reconciliations between values in the claim and those recorded within the benefits system. No actions are required by the Council in response to the qualification letter, although the Department for Work and Pensions (DWP) may require the Council to undertake further work.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Service	Claim	Value £	Adequate control environment	Amended	Qualification letter
Revenue and Benefits	Housing and Council Tax Benefit	£13,328,318	No	Yes	Yes
Revenue and Benefits	National Non Domestic Rates Return	£10,594,129	No	No	No
Finance	Advantage West Midlands Single Programme - Ellesmere Market Towns	£183,897 (amount claimed for project is above £500,000)	No	Yes	No

Claims between £100,000 and £500,000

Service	Claim	Value £	Amended
Finance	Disabled Facilities Grant	£239,000	No

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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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