

Certification of claims and returns - annual report

South Shropshire District Council

Audit 2008/09

Date **07 January 2010**

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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 South Shropshire District Council receives more than £17m 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 three claims with a total value of £17 million. We carried out a full review on two, and a limited review on one. (Paragraph 7 explains the difference.) We amended the Housing and Council Tax Benefits grant which had nil 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 NNDR Return which had nil effect on entitlement. Appendix 1 sets out a full summary.
 - 3 The fees I charged for grant certification work in 2008/09 were £23,735.
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Background

- 4 The Council claims £17m 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 South 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 claims above the threshold as listed in Appendix 1, because these claims are for schemes of a complex nature. The risk associated with such a large volume of transactions within the 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 & Benefits	Housing and Council Tax Benefit	£10,506,567	No	Yes	Yes
Revenue & Benefits	National Non Domestic Rates Return	£6,521,468	No	Yes	No

Claims between £100,000 and £500,000

Service	Claim	Value £	Amended
Finance	Disabled Facilities Grant	£177,000	No

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