

Our reference 2009/10 Certification of Claims Report

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Dear Peter

2009/10 Certification of claims and returns report

Funding from government grant-paying departments is an important income stream for the Council. The grant-paying departments attach conditions to these grants. Each year the Council is required to submit specific claims or returns in return for funding showing that it has met these conditions. I am required by section 28 of the Audit Commission Act 1998 to certify some of these claims and returns for grants or subsidies paid by the government departments and public bodies to the Council.

In 2009/10 my audit team certified nineteen claims and returns with a total value of £184 million. Appendix 1 sets out a full summary of these claims certified. I charge a fee to cover the full cost of certification. The fee depends on the amount of work required to certify each claim or return. The fees charged for grant certification work in 2009/10 were £79k compared with a combined fee for the County Council and the five district councils in 2008/09 totalling £199k. This is a year on year reduction of 60% and is primarily the result of the savings achieved through local government reorganisation. Appendix 2 is a summary of the costs for each claim and return and the reasons for any significant variances from the previous year.

The Council needs to manage the claiming of grant income carefully. If you cannot demonstrate that the conditions which are attached to these grants have been met then the funding may be at risk. In particular this means:

- providing 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.

Appendix 3 sets out the key features of the current certification arrangements. Maintaining a strong control environment, providing clear supporting working papers and responding promptly (where applicable) to audit queries helps me to complete my work in an efficient and effective manner, which minimises the fees that are charged. I take this into account when reviewing your claims. My consideration include the complexity and value of a claim or return, your systems of internal financial control, the quality of working papers and the experience of the staff compiling the claims. Of the nineteen claims that required

certification, I carried out a limited review of seven claims, following my risk based assessment.

As a result of my audit work, amendments were made to several claims as detailed in the table below.

Claim	Issues arising	Overall adjustments made to the value of the claim following the audit
Housing & Council Tax Benefits	I identified the need to make adjustments to a number of cells due to a number of cases being recorded in the incorrect cells. In addition, I identified that 26 out of 60 cases tested for backdated rent allowances had incorrectly used the wrong start date for claiming payment	£6,175 additional sum due to the Council. The Department of Work and Pensions may decide to further investigate the issues raised in our qualification letter for the Housing and Council Tax Benefits Scheme claim relating to backdated rent allowances.
National Non Domestic Rates (NNDR 3)	Problems were experienced in agreeing the values of a sample of Small Business Rate Relief (SBRR) calculations. This was mainly due to the nature of the reports supplied by the Northgate system. Additional work was undertaken and the matters were satisfactorily resolved. Our testing also identified issues around the retention of SBRR applications relating to approvals given at the demised district councils. We did obtain assurances and officers are developing formalised procedure notes for handling SBRR applications.	£1,475 additional payable by the Council due to the need to update the cell value relating to discretionary relief given under section 49 (hardship).

Claim	Issues arising	Overall adjustments made to the value of the claim following the audit
Advantage West Midlands (AWM) claims	Inherently, AWM claims are complicated and present a number of challenges including the need for a detailed analysis of various areas of expenditure such as management and administration costs. In addition, the schemes can relate to several financial years. The main area of difficulty I encountered related to securing evidence of the tendering process used by demised district councils in letting the contracts for the construction work on sites such as Craven Arms Learning Centres. I managed to obtain sufficient information to enable me to satisfactorily complete my audits.	There were no material changes to the claims. .

In line with your cost saving programme, you may wish to note that where some of the required certification testing is carried out by council officers (and verified by us) reductions in audit fees have been seen at other councils. This approach does require additional Council resources, but we will continue to discuss this with you for the audit of 2010/11 grant claims.

I am pleased to report that officers responded promptly to our queries and accepted my findings and conclusions. I acknowledge the positive and constructive relationships with your staff.

Yours sincerely

Grant Patterson
District Auditor

Appendix 1 – Summary of 2009/10 certified claims

Claims and returns above £500,000

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.

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and Council Tax Benefits Scheme	78,678,673	Not required to be assessed	Yes – minor errors identified and corrected.	Yes
National Non-Domestic Rates return	68,548,681	Yes	Yes – minor errors identified and corrected.	No
HRA subsidy – two claims relating to the former Bridgnorth District Council and Oswestry Borough Council	4,685,312	Yes	No	No
Sure Start, Early Years and Childcare	9,186,799	Yes	No	No
HRA subsidy base data return	-	Yes	No	No
Disabled Facilities	1,042,000	Yes	No	No
Teachers' Pension Return	16,315,942	Yes	No	No
Various Advantage West Midland (AWM) claims as detailed below- <ul style="list-style-type: none"> • Think Energy (RRZ Renewable Energy) • Bridgnorth Employment Land Provision 	619,714 831,435	Yes Yes	Yes-minor error identified and corrected No	Yes No

• Entertainment venue for Shrewsbury (2007/08 claim)	1,863,451	Yes	No	No
• Craven Arms Learning Centre	756,951	Yes	No	No
• Cleobury Country Centre	758,489	Yes	No	No

Claims between £125,000 and £500,000

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. These were primarily relating to various AWM claims as detailed below:

Claim	Value £	Amended
Rural Access to Services Programme	69,743 in year (three year programme value over £125k)	No
Rednal Industrial Estate	146,841	No
Sustainable Tourism Business Grant	226,141	No
Shropshire Food Enterprise Centre	36,000 in year (three year programme value over £125k)	No
Shropshire and Telford DMP Underpinning	110,000	No
Pooling of Housing Capital Receipts return	456,234	No

Claims below £125,000

For claims and returns below £125,000 the Commission does not make certification arrangements..

Appendix 2 – Summary of grant claim costs

All claims

Claim	2009/10 Certification fee £	2008/09 Certification fee £	Explanation for variance
Housing and Council Tax Benefits Scheme	34,568	N/A	No fee in 2008/09 as housing benefit and council tax functions were the responsibility of the former district councils.
National Non-Domestic Rates return	6,687	N/A	No fee in 2008/09 as business rate tax functions were the responsibility of the former district councils. We did undertake additional audit work to gain assurances around the accuracy of Small Business Rate Relief (SBRR) calculations and on the evidencing of applications for SBRR which occurred in prior years. Adequate procedures are in existence for handling SBRR applications and these will be documented in formalised procedure notes.
HRA subsidy x 2 claims	8,106	N/A	No fee in 2008/09 as housing functions were the responsibility of the former district councils.
Sure Start, Early Years and Childcare	976	2,023	Reduction due to efficiencies in our approach.
HRA subsidy base data return	3,887	4,590	Reduction due to efficiencies in our approach.
Disabled Facilities	2,123	N/A	No fee in 2008/09 as housing functions were the responsibility of the former district councils.
Teachers' Pension Return	5,601	4,300	Additional work required due to a delay in third party information being obtained by the Council.

<p>Various AWM claims as detailed below-</p> <ul style="list-style-type: none"> • Think Energy (RRZ Renewable Energy) • Bridgnorth Employment Land Provision • Entertainment venue for Shrewsbury • Rural Access to Services Programme • Rednal Industrial Estate • Sustainable Tourism Business Grant • Shropshire Food Enterprise Centre • Shropshire and Telford DMP Underpinning • Craven Arms Learning Centres 	12,654	8,754	<p>There were three new claims during the period which required review. There were complications with these which resulted in my requests for additional information. There were issues around the Craven Arms Learning Centre, particularly in respect of securing evidence of their tendering arrangements. Upon gaining reasonable evidence, I was able to gain assurance against the tests specified by AWM.</p>
<p>AWM claim for Cleobury Country Centre which required a special Tripartite agreement to enable the Audit Commission to conduct the audit.</p>	2,655	N/A	<p>The audit was not required in 2008/09.</p>
<p>Pooling of Housing Capital Receipts</p>	1,252	N/A	<p>The audit was not applicable to Shropshire County Council in 2008/09 as the housing functions were the responsibility of the former district councils.</p>

Appendix 3 – Summary of current certification arrangements

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

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.