

Certification of claims and returns - annual report

Shropshire Council

Audit 2010/11



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Introduction

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 as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. 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 well in preparing claims and returns. There were no significant amendments to the claims although I did issue qualification letters for two claims, Teachers' Pensions and Housing Benefit and Council Tax Benefit.

I undertook work on eleven claims and returns with a total value of £173m for the year ended 31 March 2011 (£184m in 2009/10) that the Council was required to submit for certification. Three claims required minor amendments and two of these, your Housing and Council Tax Benefits claim and Teachers' Pension return, also required a qualification letter. The fees charged for 2010/11 were £66,805 compared to £78,509 in 2009/10, a 15% reduction of £11,704.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£172,854,000
Total number of claims and returns certified	11
Number of claims and returns amended due to errors	3
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	2
Total cost of certification work	£66,805

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.

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 a satisfactory control environment over each claim and return; and
- ensuring the Council can evidence that it has met the conditions attached to each claim.

Maintaining a strong control environment, providing clear supporting working papers and responding promptly to audit queries helps us to complete our work in an efficient and effective manner, which minimises the fees that are charged. We take this into account when reviewing your claims. Our considerations include the complexity and value of a claim, your systems of internal financial control, the quality of working papers and the experience of the staff compiling the claim.

The overall arrangements of the Council are good and there have been improvements in the quality of the information held to support the majority of the claims. However, I have issued qualification letters for the Teachers' Pension return and the Housing Benefit and Council Tax Benefit scheme claim. My work noted that Internal Audit had undertaken testing on Teachers' Pension scheme and identified several issues including problems in securing information to support teachers opting out of the scheme. Testing of the Housing Benefit and Council Tax Benefit scheme claim identified errors within Rent Rebates (tenants of non HRA properties) and Rent Rebates (tenants of HRA properties) which were subject to extended testing. Given the complexity of the Benefits scheme and the volume of transactions involved, it is not uncommon for amendments to be made and a qualification letter issued on this type of claim. My qualification letter to the Department of Works and Pensions (DWP) reported upon these issues, which were consistent with those that have been reported at other councils, and the Department will decide upon any extra work required.

Table 2: Claims and returns subject to audit in 2010/11

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made (£000)	Was a qualification letter issued?
Housing benefit and council tax benefit scheme	83.383	No as subject to the national approach of HBCOUNT	£0.5	Yes- see page 8 for further details.
Pooling of housing capital receipts	418	Yes	0	No
HRA subsidy	(4.751)	No as additional work was required in respect of two cells which were not consistent with our audit knowledge. In these circumstances we are required to undertake additional tests in line with the certification instruction.	Nil although there were some adjustments made which did not impact on the overall value.	No
Housing finance base data return	n/a	No. This return will inform the HRA self financing settlement determination. In these circumstances we are required to undertake additional tests in line with the certification instruction.	Nil although there were some adjustments made which did not impact on the overall value.	No

National non-domestic rates return	64.327	No. Issues arose in 2009/10 audit and scheme arrangements are complex. In these circumstances we are required to undertake additional tests in line with the certification instruction.	0	No
Teachers' pensions return	16.652	No. Internal Audit draft report identified issues on Teachers' Pension scheme arrangements. In these circumstances we are required to undertake additional tests in line with the certification instruction.	Nil although there were some adjustments made which did not impact on the overall value.	Yes- see pages 8 – 9 for further details.
Sure start, early years and childcare grant and aiming high for disabled children grant	11.330	Yes	0	No
Disabled facilities	1.076	Yes	0	No
Single Programme (AWM) various claims – see Table 3 for further details	419	Yes	0	No

Housing Benefit and Council Tax Benefit scheme

Testing of Rent Rebates (tenants of non HRA properties) and Rent Rebates (tenants of HRA properties) were subject to extended testing due to failures in the initial sample tested.

Rent rebates (tenants of non HRA properties)

My testing of cell 014 identified 4 errors out of 60 cases tested where underpayments due to rent increases were included in 'Expenditure up to and including the cap' instead of the 'Expenditure above the cap' cell. I was able to perform an extrapolation of the results of my testing to indicate a potential reduction in the cell value of £355 (with a corresponding rise in cell 015). However, because of the nature of the population and the number of cases untested (210), it was unreasonable to use this calculation as a basis for adjusting the claim. Hence, this was included within the qualification letter which informs DWP of the issue and they will decide what extra work (if any) is to be done.

Rent Rebates (Tenants of HRA properties)

In respect of cell 065, my testing identified 5 cases out of 60 tested failing because overpayments were misclassified as technical overpayments instead of other overpayment types such as eligible overpayments. My extrapolation suggested that cell 065 was overstated by £2,594 with adjustments against cell 064 (understated by £2,765) and cell 066 (overstated by £171). It was judged unreasonable to adjust the claim as there were a further 320 cases untested. Therefore, DWP were informed of the extrapolation and they will decide what extra work (if any) is to be done.

Teachers' Pension return

My work on Teachers' Pension scheme noted that Internal Audit had identified several issues including problems in securing information to support teachers opting out of the scheme. Guidance states that all part-time and supply teachers (commencing on or after 1 January 2007) who do not wish to join the scheme must complete an opt out form (i.e. they should be enrolled in the scheme and have pension deductions made from their salaries unless there is a request to opt out.) My initial testing of 15 Teachers confirmed that opt out forms existed for all the cases tested. Internal Audit had identified three cases where the Teachers' Pensions Services Records suggested that they are pensionable and for which no opt out form was held. I tested an additional 10 cases which confirmed that all opt out forms were appropriately held. Under the certification instructions I am required to report failures in testing in a qualification letter. Based upon Internal Audit's work and my extended testing, my view was that it would be reasonable to

conclude that the initial finding of unsatisfactory documentation is not indicative of the whole population of part time and supply teachers (commencing on or after 1 January 2007).

It is important that the recommendations made by Internal Audit in respect of the arrangements supporting the Teachers' Pension scheme are adopted as these will strengthen the arrangements for securing full compliance with scheme requirements. It is also important that the three cases where opt out forms were not available are looked into to ensure that records are correctly held.

Table 3: Claims between £125,000 and £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Single Programme (AWM) – Bridgnorth Employment Land provision	122	0	No
Single Programme (AWM) – Sustainable Tourism Business Grant	207	0	No
Single programme (AWM) – Shropshire and Telford DMP Underpinning	90 (over the life of the grant, the value is £310)	0	No

Summary of progress on previous recommendations

I did not make any recommendations in 2009/10 in respect of audit work undertaken on certification of claims and returns.

Summary of recommendations

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

Table 3: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Recommendations made by Internal Audit in respect of the arrangements supporting the Teachers' Pension scheme must be properly considered and implemented to ensure the Council achieves full compliance with Teachers' Pension scheme requirements	High	Yes		
A review must be undertaken to ensure that individual Teachers records correctly hold opt out forms where there has been a decision made to opt out of the Teachers' Pension scheme.	High	Yes		

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 4: 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	29,015	34,568	The Council completed the specified audit workbooks in 2010/11, which are used to document the results of the initial audit testing. This was the first time that the Council had followed this approach.
Pooling of housing capital receipts	1,035	1,252	Reliance placed upon the control environment in 2010/11, reducing the need for detailed testing.
HRA subsidy	3,855	8,106	The 2010/11 claim was a combined claim for the Council. In 2009/10, there were two claims (one for each housing area) subject to audit.
Housing finance base data return	7,830	3,887	Extra work was required in 2010/11 in accordance with Audit Commission

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
			guidance. This was because of the high risk nature of the claim as a result of future changes to the housing finance system.
National non-domestic rates return	4,528	6,687	Issues which had been raised in prior year audits had been addressed. Audit testing ensured that assurances were obtained without the need for additional work (which was required in 2009/10).
Teachers' pensions return	9,795	5,601	Additional work was required to be done as a result of issues arising during the audit testing. Further details are given on pages 8-9 of the report.
Sure start, early years and childcare grant and aiming high for disabled children grant	1,970	976	A Higher skill mix was used on the audit in 2010/11.
Disabled facilities	2,182	2,123	
Single programme (AWM) various claims	6,595	15,309	Fewer, less complex claims subject to audit in 2010/11.
Total	66,805	78,509	

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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.

