

Certification of claims and returns - annual report

Harborough District Council

Audit 2008/09

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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 and returns. 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 Harborough District Council receives more than £12.5m funding from various grant-paying departments. The grant-paying departments attach conditions to some of 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 1 claim and 1 return with a total value of £43.9 million. We carried out a limited review of the return and a full review of the claim. (Paragraph 10 explains the difference). We agreed amendments to the claim requiring full review and also issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.
- 3 The fees I charged for grant certification work in 2008/09 were £26,258.

Significant findings

- 4 Housing benefit subsidy is dependent on correctly classifying the type of benefit paid by the Council. We found classification errors while testing the Housing and Council Tax Benefit claim and undertook extra testing to check the extent of this. We also found that officers had not applied an increase to a pension rate for modified schemes. We reported the results of our testing to the Department of Works and Pensions.
- 5 We did not find any error on the National Non Domestic Rate return.

Certification fees

6 I charged £26,258 for certifying your claims, and an analysis of this is in table 1 below.

Table 1 Analysis of certification fees

Claim/return	Fee £
Housing and council tax benefit	24,713
National non domestic rate	1,545

Background

- 7 The Council claims £12.5m for specific activities from grant paying departments. 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.
- 8 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 Harborough 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.
- 9 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 10 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 auditors place reliance on the control environment, they undertake limited tests to agree overall entries on the claim to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where an auditors cannot place reliance on the control environment, they undertake all of the tests in the certification instruction to an extent determined by the assessment of the Council's control environment. 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

- 11 We assessed the control environment for only one return - the National Non Domestic Rates (NNDR) return. We were able to rely on the control environment for producing the return. We therefore undertook only limited testing.
- 12 The Commission does not ask us to assess the control environment for the Housing and Council Tax Benefits (HBCT) return, where the Commission and the Department of Works and Pensions (DWP) require detailed testing to take place as the requirements of the HBCT regulations are complex.

Specific claims

Housing and council tax benefits

- 13 We identified 4 errors during our review of your HBCT claim and your officers amended these. This increased the subsidy for the Council by net £479.
 - The entries on the subsidy claim form did not agree to the reports to produce the claim created by the subsidy system. We agreed an amendment to cell 108 of the claim form.
 - Some non-HRA rebate payments classifications were wrong. We undertook a full review of all non HRA payments and officers amended the claim to correct this.
 - Some rent rebate overpayments classifications were wrong. Officers amended the claim to show the correct position after a full review of these.
 - The authority had not increased the pre1973 war pension rate for modified schemes since April 2002. We undertook testing of all affected cases and officers amended the claim to correct this.
- 14 We found errors on misclassifications of council tax benefit overpayments. We undertook extra testing and reported the results of this to DWP. The affect on subsidy receivable is uncertain at present.
- 15 The in year reconciliation cells did not agree and we reported to DWP that your officers were looking into the differences.

National non domestic rates

- 16 Our review did not identify any amendments and we gave an unqualified certificate.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	10,785,858	N/A	Yes	Yes
National non-domestic rates return	33,099,377	Yes	No	No

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