

# **Certification of** **claims and** **returns - annual** **report**

**Northampton Borough Council**

**Audit 2009/10**

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## Summary

**Funding from government grant-paying departments is an important income stream for Northampton Borough 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 2009/10 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that were amended.**

**None of the Council's 2009/10 claims were qualified.**

### **Certification of claims**

1 In 2009/10, Northampton Borough Council received more than £97 million in revenue grants from various grant paying departments and paid over £109 million to central government. Capital grants received were in excess of £3 million. 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 2009/10, my audit team certified six claims with a total value of £184.8 million. A full review of all six claims was carried out (paragraph 11 explains the different levels of certification that exist). Three claims were amended, but none were qualified. Appendix 1 sets out a full summary.

### **Significant findings**

3 The Council's arrangements for the preparation and submission of grant claims are good. All claims and returns were supported by clear and comprehensive working papers. The assistance and cooperation of staff was appreciated.

4 Amendments were relatively minor and none of the claims were qualified.

5 All matters arising from my work have been discussed and agreed with officers and there are no recommendations for improvement within this report.

### **Certification fees**

6 The fees I charged for grant certification work in 2009/10 were £41,990.



## Background

7 The Council's accounts for 2009/10 show that you received over £97 million in revenue grants and over £3.2 million in capital grants from various grant paying departments and public bodies. In addition, you contributed over £109 million in non-domestic rates, negative housing subsidy and pooled capital receipts to central government. 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 government departments and public bodies to Northampton Borough 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 reliance is placed on the control environment, auditors undertake limited tests to agree the 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.
- The approach impacts on the amount of grants work I carry out, placing more emphasis on the high value claims.

# Findings

## Control environment

11 2009/10 was the first year of my appointment as external auditor of Northampton Borough Council. For this reason, the quality of the Council's control environment was unknown to me for any of the six claims I audited. Therefore, full audit testing was undertaken on each claim.

12 During my 2009/10 audit work I assessed the control environment for each claim. I have concluded that, subject to any new information emerging during the course of our work, that I should be able to rely on the Council's control environment in future years. Therefore, I would expect there to be less testing, leading to lower audit fees.

13 However, for Housing and Council Tax Benefits (HTCB) the certification instruction specified by the Department for Works and Pensions (DWP) requires auditors to carry out full testing regardless of the strength of the Council's control environment.

14 It is expected that in future years the Disabled Facilities Grant (DFG) will continue to fall below the threshold of £500,000 and therefore be eligible for limited testing in accordance with paragraph 10 above.

## Specific claims

### Housing and Council Tax benefit

15 The Council is able to claim subsidy from central government in respect of housing and council tax benefits paid to claimants.

16 The approach to certification agreed with the DWP involves an initial 'discovery sample'. Further detailed testing is undertaken if any errors are found in the initial sample.

17 Only one minor error was identified regarding the classification of Non-HRA rent rebate overpayments. This affected a limited number of cases, all of which were reviewed and the claim was amended accordingly. This issue has already been discussed and agreed with officers. I have therefore made no specific recommendations for improvement in respect of housing and council tax benefits within this report.

18 Next year, there may be scope for officers to complete the testing of a proportion of claims selected in the discovery sample. This would then be subject to audit review and partial re-performance. This collaborative approach may benefit the Council by further reducing the audit fees charged. I will discuss this with officers as part of my 2010/11 audit planning.

### **Housing Subsidy (Base data return 2011/12 and final claim for 2009/10)**

19 Minor discrepancies were identified in reconciling the housing stock numbers between the housing system and the figures used to compile the claims. This issue has already been discussed and agreed with officers. Both claims were amended accordingly and I have therefore made no specific recommendations for improvement in respect of the Housing Subsidy claims within this report.

### **Other claims and returns**

20 There were no significant issues arising from the review and testing of the other three claims and returns. Each was submitted with an unqualified audit certificate.



## Appendix 1 Summary of 2009/10 certified claims

### Claims and returns above £500,000

Claim	Value £'000	Adequate control environment	Amended	Qualification letter
Housing and Council Tax Benefit	74,195	Yes	Yes	No
Housing Subsidy (negative subsidy payable to CLG)	9,589	Yes	Yes	No
Housing Base Data Return 2010/11	N/A	Yes	Yes	No
National Non-Domestic Rates (amount payable to national pool)	99,623	Yes	No	No
Pooling of capital receipts	1,007	Yes	No	No

### Claims between £100,000 and £500,000

Claim	Value £'000	Amended
Disabled Facilities Grant	422	No

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