

Certification of claims and returns - annual report

Northampton Borough 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 Council has performed strongly in preparing claims and returns.

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. My work gave rise to only minor amendments to two of the six claims and returns for the year ended 31 March 2011. In no cases did I have to issue a qualification letter.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£188.9 million
Number of claims and returns amended due to errors	Two
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	None
Total cost of certification work (to date)	£32,477

I did not identify any issues that are likely to have a significant impact on current or future claims or the Council's overall financial statements. Consequently, there are no recommendations included in this report. Furthermore, there are no recommendations to follow up from my certification work in prior years.

I am grateful for the assistance and cooperation of the Council's staff during the course of my work.

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.

Amendments were relatively minor and none of the claims were qualified. All matters arising from my work have been discussed and agreed with officers and there are no recommendations for improvement within this report.

Claims subject to full testing are set out in table 2 below.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit (HCTB) scheme	£80,782,098	No. The Department for Work and Pensions (DWP) does not allow reliance on the control environment for the HCTB subsidy return.	£379	No
Pooling of housing capital receipts	£1,225,624	Yes	None	No
HRA negative subsidy	£10,055,950	No. Detailed testing was	None	No

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
		undertaken in accordance with my cyclical plan.		
Housing finance base data return	Not applicable. The return has no direct monetary value.	No. Detailed testing was undertaken to cover additional risks associated with the new entries for HRA self financing.	Three data entries were amended but the return has no direct monetary value.	No
National non-domestic rates return	£96,365,094	Yes	None	No

Housing and Council Tax Benefit

With the Council's agreement I arranged a joint approach to testing the HCTB claim in 2010/11. A local training workshop was organised for Council staff and all the initial testing was undertaken in-house. Following re-performance of a sample of cases I concluded that the testing had been undertaken in a timely and comprehensive manner and was fully supported by appropriate evidence. I was therefore able to place full reliance on the in-house testing, which has led to a significant reduction in the audit fee (see table 4).

Only one error was identified in the initial testing. This related to a processing error in respect of a non-HRA rent-rebate case. Officers carried out 100% testing of all similar cases which enabled me to conclude that this was an isolated error. The claim was amended to correct the error.

A further minor amendment was required in respect of an adjustment to backdated benefits which had been identified by officers but not applied to the claim.

Housing finance base data return

The return was amended to reflect a change to the data requirements in respect of loan premia. The changed definition was not fully reflected in the guidance notes accompanying the return and the Council had therefore continued to apply the previous definition. A further late change was identified by officers in respect of the entries for the HRA Capital Finance Requirement, which had been incorrectly entered as positive rather than negative figures.

Other claims

There were no matters arising from my certification work on any of the other claims and returns.

Claims subject to the limited testing regime are set out in table 3.

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
Disabled facilities	£479,000	None	No

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	£20,467	£25,860	Collaborative approach to initial testing.
Pooling of housing capital receipts	£487	£595	Detailed eligibility testing was not required this year in accordance with my cyclical plan. Reliance was placed on the Council's control environment.
HRA subsidy	£2,432	£2,975	Economies associated with the cumulative knowledge and experience of the audit team in the second year of our audit engagement.
Housing finance base data return	£2,247	£2,839	Economies associated with the cumulative knowledge and experience of the audit team in the second year of our audit engagement.

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
National non-domestic rates return	£2,210	£4,191	Detailed eligibility testing was not required this year in accordance with my cyclical plan. Reliance was placed on the Council's control environment.
Disabled facilities	£259	£425	Economies associated with the cumulative knowledge and experience of the audit team in the second year of our audit engagement.
Supervision and review	£4,375	£5,212	Reflects an overall reduction in the amount of audit work arising from: application of a cyclical approach to detailed testing; greater reliance on the Council's control environment; and adoption of a collaborative approach to testing the HCTB claim.
Total	£32,477	£42,097	

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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.

