

Certification of claims and returns - annual report

Council of the Isles of Scilly

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. I must undertake testing of eligibility of expenditure every third year regardless of whether I have assessed the control environment as effective.

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

I amended four of the five claims and returns for the year ended 31 March 2011. I issued a qualification letter accompanying my audit certificate in two cases.

Table 1: **Summary of 2010/11 certification work**

Number of claims and returns certified	5
Total value of claims and returns certified	£2,843,012
Number of claims and returns amended due to errors	4
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 non-compliance with scheme terms and conditions	2
Total cost of certification work	£22,541

With the exception of the Housing and council tax benefit claim, all claims and returns I received had incomplete and/or incorrect supporting documentation. In 2010 I agreed a Grant Claim Protocol with the Council. This document detailed the information that I expect to receive with claims submitted for audit. Following the protocol will take less time and with a lower fee for the Council.

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.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£')	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing Finance Base Data Return	N/A	No – the Council did not submit a complete base data return in the past.	N/A	Yes – see page 6
National Non-Domestic Rates Return	1,296,718	Yes – but as I undertook limited testing in the two preceding years, I performed detailed testing in 2010/11 (see page 3).	<ul style="list-style-type: none"> ■ £8,175 Contribution to the pool (Part 1, Line 14) understated; ■ £13,447 Gross rates payable (Part 2, Line 1) understated; ■ £5,272 	Yes – see page 6/7

Claim or return	Value of claim or return presented for certification (£')	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
			Small business rate relief (Part 2, Line 4) understated.	
Teachers' Pensions Return	923,209	Yes – but as I undertook limited testing in the two preceding years, I performed detailed testing in 2010/11 (see page 3)	£3,000 Total contributory salary overstated.	No

I qualified the Housing Finance Base Data Return because, as with last year:

- source documentation on tenancy agreements did not exist for two dwellings and for relets;
- I identified departures from the compulsory calculations in the return to the Department; and
- you based the estimated Housing Revenue Account (HRA) Capital Financing Requirement (CFR) on all Council assets, not just Housing Revenue Account assets.

I recommend the Council liaise with the Department to move to housing subsidy based on estimates, rather than production and audit of the return, as more cost-effective.

I qualified the National Non-Domestic Rates Return because of:

- incorrect calculation of small business rate relief in six of the ten cases I tested; and
- no evidence to confirm correct application of empty property relief to qualifying properties.

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

Claim or return	Value of claim or return presented for certification (£)	Value of any amendments made (£)	Qualification letter
Housing and council tax benefit scheme	315,942	40 Modified scheme expenditure understated due to an error in the calculation of benefit. As I quantified 100% of the error no qualification letter required.	No
Sure start, early years and childcare grant and aiming high for disabled children grant	307,143	Claim submitted on the wrong form so I required a replacement.	No

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

Further work is needed to ensure that all your claims are submitted for audit with a supporting audit trail. I spent considerable additional audit time this year requesting information that I expected to be presented for my audit. This is reflected in the overall fee charged for 2010/11.

Table 4: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Ensure all claims are: <ul style="list-style-type: none"> ■ submitted with all relevant information; ■ on the correct documentation; ■ signed by the relevant chief officer. 	High	March 2011	Director of Finance and Resources	Partially implemented	<ul style="list-style-type: none"> ■ Only the Housing and Council Tax Benefit claim had a supporting audit trail. Incomplete or incorrect supporting documentation for all others. ■ Sure Start claim not submitted on the correct form ■ All claims signed by the relevant chief officer

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
<p>Ensure the housing subsidy base data return:</p> <ul style="list-style-type: none"> ■ is submitted to the government department and for audit in accordance with deadlines; and ■ is supported by a full audit trail for all entries. 	Medium	March 2011	Director of Finance and Resources	Partially implemented	Return submitted on time but not supported by a full audit trail for all entries. Qualification letter issued..
<p>Bring the arrangements for the recording and monitoring of housing data back in-house so Council officers have control over this process.</p>	High	June 2011	Director of Finance and Resources	Implemented	Work brought back in-house. However, some historic information still not available.

Summary of recommendations

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

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Ensure all claims are presented for audit with a supporting audit trail.	High	All claims submitted for audit with a supporting audit trail.	March 2012	Director of Finance and Resources
Ensure all claims are prepared on the correct forms.	Medium	All claims prepared on the correct forms.	March 2012	Director of Finance and Resources
Liaise with the Department to move to housing subsidy based on estimates rather than production of the return.	High	Liaison with the Department underway to move to a simpler, more cost-effective approach.	March 2012	Director of Finance and Resources

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 6: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing finance base data return	£3,543	£3,123	<ul style="list-style-type: none"> ■ Last year I could not complete my work due to a lack of supporting evidence; ■ I qualified this year's claim for similar reasons.
National non-domestic rates return	£6,490	£798	<ul style="list-style-type: none"> ■ I undertook detailed testing in 2010/11 (and only limited testing in 2009/10) in accordance with requirements; ■ The contractor used by the Council to prepare the claim did not provide a supporting audit trail; ■ I qualified the claim for a number of reasons – see page 7.
Teachers' pensions return	£1,325	£782	<ul style="list-style-type: none"> ■ I undertook detailed testing in 2010/11 (and only limited testing in 2009/10) in accordance with requirements; ■ Incorrect supporting information submitted with the claim.
Housing and council tax benefit scheme	£10,385	2008/09: £11,430 2009/10: £ 5,327	Note the fee is in line with prior years. Detailed testing required to prevent issuing a qualification letter.

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Sure start, early years and childcare grant and aiming high for disabled children grant	£798	£425	<ul style="list-style-type: none"> ■ Additional working papers required to reconcile the claim to the general ledger; ■ Originally submitted on the wrong form (as in 2009/10).

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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.

