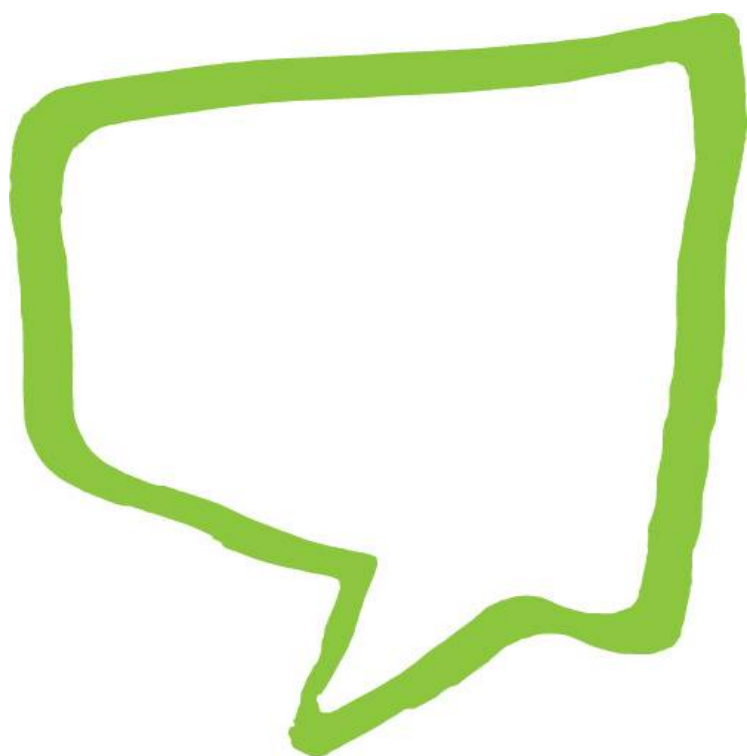


Certification of claims and returns - annual report

Tonbridge & Malling Borough Council

Audit 2008/09

February 2010



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- any director/member or officer in their individual capacity; or
 - any third party.
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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. It includes any messages arising from our assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims and returns

- 1 Tonbridge & Malling Borough Council receives in excess of £28 million funding from various grant-paying departments. In addition it is responsible for paying over monies collected from National Non-Domestic Rates (NNDR) ratepayers on behalf of Communities and Local Government (CLG).
- 2 The grant-paying departments attach conditions to these grants. If the Council cannot show that it has met these conditions then the funding can be at risk. It is therefore important that the Council has a strong framework to support the preparation and certification of grant claims and can demonstrate that all conditions attached to the grant funding have been met.
- 3 In 2008/09 we certified the following three claims and returns with a total value of nearly £73 million.
 - Housing and council tax benefits subsidy;
 - Disabled Facilities grant; and
 - NNDR return.
- 4 Minor amendments were required in relation to the housing and council tax benefit claim. No amendments were required to either the National Non-Domestic Rates return or the claim for Disabled Facilities grant. All of the claims and returns were certified without qualification. A summary is provided at Appendix 1.

Certification fees

- 5 The fees charged for grant certification work in 2008/09 were £35,700. This compares with £31,900 for 2007/08. The increase relates primarily to additional time required on the audit of the housing benefits subsidy claim.

Next steps

An action plan incorporating the recommendations arising from our 2008/09 grant claims work is included at Appendix 2.

Background

- 6 The Council claims funding 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 ensuring that:
 - there is an adequate control environment to support the preparation of all grant claims and returns; and
 - the Council can evidence that it has met the conditions attached to each claim.
- 7 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 8 We are 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 the Council.
- 9 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 Part A 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 "Part A" tests to agree from entries to underlying records but do not undertake detailed "Part B" testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake both Parts A and B 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.
 - For claims spanning 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.
- 10 This approach to certification helps ensure that the main focus of our work is on claims and returns with the highest value.

Key findings

Housing and council tax benefit subsidy claim

Control environment

- 11 For this claim we do not make a preliminary assessment of the control environment as the approach agreed with the Department for Work and Pensions (DWP) is to perform detailed case testing at all authorities which administer housing and council tax benefit schemes.

Key findings

- 12 In 2008/09 expenditure on housing and council tax benefit represented approximately 47 per cent of the Council's gross service expenditure, with total subsidy claimed of £28,425,889. We certified the Council's 2008/09 housing benefit and council tax subsidy claim without qualification in November 2009.
- 13 A key element of our certification approach involves taking a sample of benefit cases from the entries on an authority's subsidy claim form and undertaking detailed testing on these cases using workbooks. The focus of testing is to consider whether benefit has been awarded in accordance with regulations, and that benefit has been recorded correctly for subsidy purposes.
- 14 Our work identified 5 errors in the 50 benefit cases selected for initial testing. Further details of these errors are given below.

Benefit overpayments with a start date of 31 March

- 15 Testing of rent allowances identified one case where the system was recording a negative overpayment. Investigation by officers identified that the error was caused by a system "bug" in cases where overpayments had a start date of 31 March. A 100 per cent check of overpayments with this start date identified errors in another seven cases.
- 16 A number of adjustments to the 2008/09 claim form were agreed with officers, although the errors had no net impact on subsidy. Officers need to be aware of the underlying software problem and make the necessary adjustments when preparing the 2009/10 benefit claim.

Recommendation

- R1** All benefit overpayments with a start date of 31 March should be identified. Where overpayments are wrongly stated the adjustments should be made to the 2009/10 housing and council tax benefit claim.

Key findings

Manual override of system generated amounts for child benefit

- 17 Testing of rent allowances identified one case where the claimant was in receipt of child benefit but where an amount which differed from the national standard rate was used to calculate housing benefit entitlement. Further investigation identified that the error was due to a manual override by the assessor.
- 18 A standard amount is entered automatically by the system when an assessor records that a claimant is in receipt of child benefit. An error can only occur if the benefits assessor overrides this system amount.
- 19 Further work by officers identified an additional 10 cases in 2008/09 where the system amount had been overridden by assessors. The reason for these overrides is unclear. In only 4 of the 10 cases did the override have an impact on entitlement to housing benefit.
- 20 As only minor amounts were involved (the aggregate impact was a reduction in subsidy of £45) it was agreed that the relevant adjustments would be made to the 2009/10 subsidy claim. Changes to the system software in 2009/10 now prevent standard amounts for child benefit being overridden manually by assessors.

Input errors

- 21 Testing of rent allowances identified three cases where amounts entered on the system did not agree to supporting documentation provided by claimants. These appeared to be input errors by assessors.
- 22 Under the approach agreed with DWP where errors are identified from initial testing and it is not possible to accurately calculate the impact on the claim additional testing is required to help assess the overall level of error. Under the formula agreed with DWP we selected an additional sample of 80 cases and for these cases tested that the information input to the system agreed to source documentation.
- 23 No further errors were identified. Officers agreed to make the necessary adjustments in respect of the three errors identified in our initial testing, the net impact of which was to increase subsidy by £341. We therefore concluded that no qualification was required to the 2008/09 subsidy claim. However, there is a need to ensure that input errors by assessors are minimised going forward.
- 24 Over the last year the Council has increased its framework of supervisory checks on the work of assessors to take account of staff shortages in the housing benefits section. There will be a need for the Council to maintain its focus in this area.

Recommendation

- R2 The Council's training and supervisory framework for housing benefit assessors should be kept under review to ensure input and other errors are minimised.

NNDR return

Control environment

- 25 We concluded that we could rely on the Council's control environment for the preparation of the NNDR return. We therefore undertook only the limited "Part A" work programme agreed with Communities and Local Government.

Key findings

- 26 Clear working paper trails were provided to support the return. We concluded that the 2008/09 NNDR return was consistent with the Council's underlying records. We certified the 2008/09 return without amendment.

Disabled Facilities grant claim

Control environment

- 27 We concluded that we could rely on the Council's control environment for the preparation of the claim and therefore undertook only the limited "Part A" work programme agreed with Communities and Local Government.

Key findings

- 28 Clear working paper trails were provided to support the return. We concluded that the claim was consistent with the Council's underlying records. A significant change in funding arrangements for 2008/09 had been implemented in accordance with the relevant guidance. We certified the 2008/09 claim without amendment.

Appendix 1 – Summary of 2008/09 certified claims and returns

Claims and returns above £500,000

Claim or return	Certified value £	Part A or both Parts A and B completed?	Audit amendment required?	Qualification letter required?
Housing and council tax benefit subsidy claim	28,425,889	An assessment of the control environment is not required for this claim.	Yes Minor amendments required to the analysis on the 2008/09 claim form. A number of minor amendments affecting subsidy to be actioned in 2009/10.	No
National Non-Domestic Rates return	44,042,694	Part A only	No	No

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

Claim or return	Certified value £		Audit amendment required?	Qualification letter required?
Disabled Facilities Grants claim	415,000	Claim under £500,000: Part A work only	No	No

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Housing & council tax benefit subsidy claim						
R1	All benefit overpayments with a start date of 31 March should be identified. Where overpayments are wrongly stated the adjustments should be made to the 2009/10 housing and council tax benefit claim.	1	Andrew Rosevear, Principal Benefits Officer	Yes		31 May 2010
R2	The Council's training and supervisory framework for housing benefit assessors should be kept under review to ensure input and other errors are minimised.	3	Andrew Rosevear, Principal Benefits Officer	Yes	New checking officer commenced 22 February so this will be in place immediately.	1 March 2010

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As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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