

Certification of claims and returns - annual report

Tonbridge and Malling Borough Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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.

Contents

Summary	2
Certification of claims.....	2
Significant findings.....	2
Certification fees.....	2
Next steps.....	3
Detailed report	4
Background.....	4
Housing and council tax benefit subsidy claim	5
NNDR return.....	6
Disabled facilities grant claim	6
Appendix 1 Summary of 2009/10 certified claims	7

Summary

Certification of claims

1 Tonbridge & Malling Borough Council receives funding of more than £34.5 million from grant paying departments. It is also responsible for paying over monies collected from National Non-Domestic Rates (NNDR) ratepayers (£48.9 million in 2009/10) on behalf of Communities and Local Government (CLG).

2 The grant paying departments attach conditions to these grants. If the Council cannot evidence these conditions have been met then the funding can be at risk. Therefore it is important that the Council has a robust framework to support certification and demonstrate that the conditions attached to grant funding have been met.

3 In 2009/10 we certified three claims and returns with a total value of £83.4 million. A full summary of our work on claims and returns is at appendix 1.

Significant findings

4 We certified both the 2009/10 NNDR return and the Council's claim for Disabled Facilities Grant without amendment or qualification.

5 Under the framework for reporting on the housing benefit claim we are required to report any underpayments using a qualification to our audit certificate. We therefore qualified our certificate on the 2009/10 claim as:

- benefit entitlement in a number of cases involving occupational pensions had been wrongly calculated. The overall net impact was an underpayment of £23; and
- the Council uses a standard percentage to adjust annual rates for incapacity benefit. In some cases this may have led to minor errors in calculating entitlement to housing benefit. Any errors would be underpayments.

Certification fees

6 The cost of grant certification work in 2009/10 was £34,000. This compares to the original estimate of £31,500 in our 2009/10 fee letter (April 2009) and the updated estimate of £34,000 in our 2010/11 fee letter (April 2010). The increase in fee compared with our original estimate reflects: clarification of the need under the Audit Commission framework to perform more detailed 'Part B' testing every three years on claims and returns > £500,000. This required additional testing on the 2009/10 NNDR3 return.

Next steps

7 Action on individual cases has now been agreed with officers. A number of minor amendments will be actioned in 2010/11.

Detailed report

Background

8 In 2009/10 the Council claimed more than £34.5 million in specific grants. As this is significant to the Council's income it is important that this process is properly managed, and that the Council ensures there is:

- an adequate control environment over each claim and return; and
- evidence that it has met the conditions attached to each claim.

9 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. We charge a fee to cover the full cost of certifying claims. This fee depends on the amount of work required to certify each claim or return.

10 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

11 The key features of the current arrangements are as follows.

- For claims and returns below £125,000 the Commission does not make certification arrangements.
- For claims and returns between £125,000 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 ('Part A') tests to agree from 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 ('Parts A and B') 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.
- Under the Audit Commission framework the completion of Part A and B testing is required every three years for all claims and returns over £500,000. This confirms the auditor's understanding of the control environment and supports reliance on the control environment for certification work.

12 This approach helps focus our work on claims with the highest value.

Housing and council tax benefit subsidy claim

Control environment

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

Key findings

14 We complete a work programme agreed between the Audit Commission and DWP. This includes detailed testing on a sample of benefit cases to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes.

15 Under the Audit Commission framework if we identify an error from our initial testing we request the Council to perform further work. In 2009/10 our initial testing identified a number of cases where further investigation or testing was required.

16 Following this additional testing there were two issues which required us to qualify our certificate under the reporting framework agreed with DWP. Details of these issues are given below.

Council Tax Benefit

17 We identified one claim from an initial sample of 20 cases where claimant information had not been correctly entered on to the system. An overpayment occurred because the wrong amount had been entered for income from an occupational pension.

18 Officers reviewed the remaining 32 cases with entries in the same cells and where the claimant had at least one occupational pension. In total calculations for 76 pensions were checked. This identified a further eight cases where amounts had been incorrectly calculated. The net impact was to increase benefit due by £23. Amendments to correct these errors have been made in 2010/11.

Uprating of incapacity benefit

19 Income from other social security benefits, including incapacity benefit, is considered when assessing eligibility for housing benefit. The rates for these other benefits need to be accurately updated for any annual increase.

20 Officers update the rates for incapacity benefit by applying a standard percentage. However, some claimants in receipt of incapacity benefit also receive age-related and other allowances which can increase at different rates.

21 In one case from our initial sample we identified a 3 per cent difference between the exact rate of incapacity benefit and that calculated and applied by the Council using a standard percentage increase. As any difference could affect entitlement to housing benefit, we asked officers to review the potential impact in other cases.

22 Officers reviewed all cases involving incapacity benefit. This identified a number of cases where further work was required to explain amounts. However, in all cases using an exact rate rather than a standard percentage increase would have had no impact on entitlement or would have created an underpayment.

23 Subsidy cannot be claimed where benefit has not been paid, and therefore any underpayments do not affect the subsidy claim. However, under the framework agreed with DWP we report potential underpayments using a qualification to our audit certificate.

NNDR return

Audit approach

24 Under the Audit Commission framework detailed 'Part B' testing is required at least once every three years for all claims and returns over £500,000. We performed Part B testing on the 2009/10 NNDR3 return.

Key messages

25 Clear working paper trails were provided to support the return. No errors were identified during our detailed testing. We concluded that the 2009/10 NNDR return was consistent with the Council's underlying records and certified the return without amendment or qualification.

Disabled facilities grant claim

Control environment

26 For this claim we concluded that we could place reliance on the Council's control environment. We therefore undertook only the limited 'Part A' work programme agreed with Communities and Local Government.

Key findings

27 Testing of the claim in accordance with the grant paying body's instructions identified no errors. We certified the 2009/10 claim without amendment or qualification.

Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit subsidy claim	34,233,083	N/A - an assessment of the control environment is not required	Final claim reflected some officer amendments. There were no audit amendments.	Yes - Claim qualified on two minor issues. However, DWP have now confirmed to the Council that the final claim is acceptable and that there are no issues requiring further action.
National Non-Domestic Rates Return	48,853,617	Yes	No	Not required

Table 2: **Claims between £125,000 and £500,000**

Claim	Value £	Amended	Qualification letter
Disabled Facilities Grant	360,000	No	Not required

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946