

# Certification of claims and returns - annual report

Slough Borough Council  
2010/11



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# Introduction

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**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

I have set out the results of my 2010/11 certification work in summary below.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£187m
Number of claims and returns amended due to errors	3
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	1
Total cost of certification work	£45,867

In 2010/11, we certified eight claims with a total value of £187 million, including business rates (£86 million payment to the national pool) and Housing and Council Tax Benefits (£78 million). Of these, we carried out full testing of seven claims and limited testing of one claim and as required by the Audit Commission's certification instructions. We amended three claims to adjust for errors and issued a qualification letter to the grant-paying body on one claims (BEN01). Table 2 sets out a full summary.

## Key findings and recommendations

There was a lack of overall control and monitoring of the claims and returns for 2010/11. Working paper files provided for audit were often incomplete and showed no evidence of review. This resulted in delays in the audit certification and some submission deadlines were missed.

In addition, in some cases, the officers involved in compiling the claims had left the Council without leaving complete supporting documentation, and the key contact had not been involved in the bulk of the preparation of the claim.

Many of the issues and errors highlighted by the audit could have been avoided or detected earlier if claims were supported by a comprehensive working paper file for each claim and by introducing effective quality checks of each claim before it was submitted to audit. This would not only reduce errors but would lead to a faster and more efficient audit and lower certification costs. I have made a recommendation to this effect which is included in table 5. I raised the same recommendation in my 2009/10 report.

The Housing and Council Tax Benefits Claim required amendment and was qualified. This was the result of a software issue which caused a £3,895 imbalance in the 'in year reconciliation' cells which cross-checked data in the claim to ensure integrity. I qualified the housing and council tax benefit subsidy return for the same reason in 2009/10. I would like to highlight the qualification is a result of a software anomaly and is not a result of errors in the processing of benefit cases. Officers are aware of the issue but there is no fix as yet.

The Housing Subsidy and Housing Subsidy Base Data returns required minor amendments. The remainder were certified without amendment.

While there were issues with supporting documentation for some claims, the overall quality has improved for 2010/11. Three claims required minor amendment, compared with four in 2009/10. The recommendation at the end of this report will help ensure improvements continue in future years.

# 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 (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was the claim certified before the certification deadline?	Was a qualification letter issued?
Housing and Council Tax Benefit scheme (BEN1)	78,445	N/A – Mandatory testing	£2,659	Yes	Yes – A software error resulting in a £3,895 imbalance in the claim.
Pooling of Housing Capital Receipts (CFB06)	1,343	Yes	N/A – no amendments	No - minor delay	No
HRA Main Subsidy (HOU1)	6,425	Yes	1 dwelling increase	Yes	No
Housing Subsidy Base Data return (HOU2)	466,066 (stock value)	Yes	Interest rate amended from 5.21% to 4.35%	No – The claim was certified 10 days late.	No

Claim or return	Value of claim or return (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was the claim certified before the certification deadline?	Was a qualification letter issued?
National Non-Domestic Rates return (NNDR3)	85,518	Yes	N/A – no amendments	No - The claim was certified 43 days late, due to provision of supporting documentation after the certification deadline.	No
Teachers' Pensions Return (PEN5)	9,687	Yes	N/A – no amendments	Yes	No
General Sure Start (EYC2)	5,566	Yes	N/A – no amendments	Yes	No

#### Claims between £125,000 and £500,000

Claim or return	Value of claim or return (£'000)	Value of any amendments made	Was the claim certified before the certification deadline?	Qualification letter
Disabled facilities grant	354	N/A – no amendments	Yes	No

# Summary of progress on previous recommendations

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

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
Each claim should be supported by a comprehensive set of working papers produced at the compilation stage and available to auditors at the commencement of the audit.	High	10 January 2010	Head of Central Finance	not implemented	In advance of grant claims being submitted for audit a file is to be produced for review and sign off by the Head of Central Finance.



# Summary of recommendations

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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
Each claim should be supported by a comprehensive set of working papers produced at the compilation stage and available to auditors at the commencement of the audit.	High			

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# 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 and Council tax benefit scheme	25,239	27,361	<10%
Other Claims	20,828	19,176	<10%
Total	45,867	46,537	<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.

