

Certification of claims and returns - annual report

Slough Borough Council

Audit 2008/09

February 2010

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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 its 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 the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we either amended or qualified.

Certification of claims

- 1 Slough Borough Council receives more than £191million funding from various grant-paying departments (from note 39 accounts) (excluding business rates). The grant-paying departments attach conditions to these grants and the Council must be able to demonstrate that it has met these conditions. If the Council cannot evidence compliance, then funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In 2008/09, my audit team certified claims and returns with a total value of £222 million, including business rates of £82m and council tax benefits of £8m. Of these, we carried out a limited review of three claims and a full review of six claims. (Paragraph 13 explains the difference).
- 3 We amended two out of the nine claims we audited (HRA main subsidy (HOU01) and the HRA base data return (HOU02)) to adjust for errors identified arising from our audit and furthermore we were unable to fully certify these claims due to a number of unresolved issues. As a consequence we issued qualification letters to the grant-paying body accordingly. Appendix 1 sets out a summary.
- 4 The fees I charged for grant certification work in 2008/09 (to the end of December 2009) were £43,155.

Significant findings

- 5 Three claims were submitted late for audit. These were the Housing and Council Tax Benefits Scheme, General Sure Start Grant, and the Pooling of Housing Capital Receipts Return.
- 6 All claims and returns were submitted for audit without a complete set of supporting working papers.
- 7 An absence of quality assurance over the claims compilation process and a breakdown in accountability were principal factors giving rise to the qualification of the HRA Base Data Return and main subsidy claims. For details see 'Findings'.

- 8 Unqualified certification was issued on all other claims and returns.

Actions

- 9 Appendix 2 summarises my recommendations. The relevant officers of the Council have already agreed these recommendations and their responses are set out in the attached action plan.

Background

- 10** The Council claims £191m 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:
- an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 11** I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Slough Borough Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 12** The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 13** 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 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 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 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 over 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. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Findings

Control environment

- 14 We placed reliance on the control environment for two claims, the Pooling of Housing Capital Receipts Return and the Teachers' Pensions Return. We could not place reliance for any other claims and returns. This is because claims and returns are not subject to a centrally administrated and monitored control environment.
- 15 This means that we have to assess the control environment on a claim-by-claim basis, some of which met the required standard and some of which did not. While departments are aware of their departmental reporting responsibilities, they are not always aware of what is required to comply with external standards. This would be rectified by the Council taking the following action (see action plan) :
- Early identification of mandatory claims and returns, including ongoing monitoring of potentially new sources of grant funding;
 - Ongoing monitoring of submission deadlines and compliance with grant terms and conditions;
 - Maintenance of comprehensive supporting documentation. This includes audit support and analytical review for 'headline' figures and links to source documents such as invoices, virement approvals, bases of estimation and apportionments, etc;
 - Ongoing monitoring of cash flow and effective budgetary control;
 - Internal audit assurance that claim 'systems' have operated satisfactorily over the period covered by the claim;
 - Evidence of supervision and review over those involved in claim preparation.

Specific claims

HOU02 - Housing Base Data Return

- 16 Significant amendments were made to the Housing Base Data Return (HOU02), which was also subject to a qualified certificate due to errors across six separate testing criteria. This situation arose because the responsible officer at People 1st (Slough) was absent for much of 2008/09 and the Council did not have monitoring arrangements in place over the claims/return control environment to compensate for this lapse in arrangements.
- 17 The most significant qualification issue relating to the return, which also impacts on the financial statements of the Council as a potentially material misstatement, was that People 1st recorded a different housing stock total to the Council's Capital and

Findings

Property teams. This arose because the different departments have not regularly reconciled their housing stock totals.

18 For future improvements the council should:

- Ensure that there is a preparing officer in place at People 1st and arrangements are in place to monitor his/her activity within the wider control environment, as recommended at paragraph 15.

HOU01 - HRA main subsidy claim

- 19** The claim was certified late, but qualified because of a £6m difference between entries in the worksheet pre-populated by the grant paying department and the grant return. The Council believe that the difference relates to prior year special determination adjustments that have been carried forward incorrectly in the worksheet which, if this turns out to be so, means that there will be no subsidy implications.
- 20** The underlying reason is the same as highlighted for HOU02 (above), notably, the lack of a responsible officer at People 1st during 2008/09 which led to late preparation of supporting documentation and, in turn, left no time available for query resolution before the submission deadline.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit (BEN01)	5,395,642	N/a - subject to mandatory audit testing	No	No
HRA subsidy base data return (HOU02)	471,640,998 (stock value)	No	Yes	Yes
HRA main subsidy (HOU01)	19,277,580	No	Yes	Yes
Teacher's pensions return (PEN05)	8,653,059	Yes	No	No
General Sure Start grant (EYC02)	3,253,112	No	No	No
National non-domestic rates return (LA03)	84,043,000	No	No	No
Pooling of housing capital receipts (CFB06)	2,796,370	Yes	No	No

Appendix 1 – Summary of 2008/09 certified claims

Claims between £100,000 and £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Disabled facilities grant (HOU21)	356,000	N/A	No	No

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Claims and Returns Report 2008/09 - Recommendations						
6	Claims and returns should be centrally monitored to facilitate: <ul style="list-style-type: none"> • Early identification of claims and returns; • Ongoing compliance with terms, conditions and deadlines. 	3	Head of Central Accountant/Head of Departmental Finance	Agreed	.A register of claims and returns is kept centrally The relevant service accountant ensures compliance with terms and conditions and deadlines.	Implemented
6	All claims and returns should be submitted for audit accompanied by adequate supporting documentation. This includes system support and year-on-year analytical review for 'headline' figures, and links to source documentation such as invoices and approvals.	3	Head of Departmental Finance	Agreed	A file is produced by the relevant officer/accountant with supporting documentation.	Implemented

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	The Council should appoint an officer to monitor People 1st's compliance with the terms and conditions of grant claims and returns.	3	Sarah Hammond Director of Finance & Support Services People 1st (Slough) Ltd	Agreed	Post holder in place from 1st April 2010- as per correspondence received of 4th Feb 2010	1 April 2010
7	The council should ensure that all sources of housing stock data are regularly reconciled to ensure consistency of numbers and compliance with the conditions of the HRA base data return.	3	Sarah Hammond Director of Finance & Support Services People 1st (Slough) Ltd	Agreed	The role of the new post holder as per correspondence of 4th Feb 2101	1 April 2010
6	All working papers submitted for audit should show evidence of supervision and review by the appropriate responsible officer.	2	Head of Departmental Finance	Agreed	A signed off checklist is submitted with the working paper file.	Implemented
6	Internal Audit assurance should be sought that claim 'systems' have operated satisfactorily over the period covered by the claim.	1	Head of Internal Audit	Agreed	Internal Audit check that systems operate satisfactorily on any claim certified by them. They also have a yearly programme to ensure that all systems operate satisfactorily.	Implemented

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
