

# Certification of Claims and Returns - Annual Report

Oxford City Council

Audit 2008/09

February 2010



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# Contents

<b>Key messages</b>	<b>3</b>
<b>Background</b>	<b>5</b>
<b>Findings</b>	<b>6</b>
<b>Appendix 1 – Summary of 2008/09 certified claims</b>	<b>9</b>
<b>Appendix 2 – Action plan</b>	<b>10</b>

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## Status of our reports

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

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## Certification of claims

- 1** Oxford City Council receives more than £153 million funding from various grant-paying departments. The grant-paying departments attach conditions to these grants. The Council must show that it has met these conditions. If the Council cannot evidence this, the 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 six claims with a total value of £153 million. Of these, we carried out a limited review of two claims and a full review of four claims. (Paragraph 10 explains the difference.) We required amendments to three of the claims requiring full review as they contained errors. For two claims, we were unable to fully certify the claim and issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.

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## Significant findings

- 3** As a result of our work we can require adjustments or if needed issue qualification letters. For the last year we have issued two qualification letters, one due to inconsistencies within claim forms, and the other due to errors in the use of earnings figures in housing benefit entitlement calculations.
- 4** Amendments were required due to the incorrect classification of dwellings; inconsistencies within claim forms and the omission of a number of housing benefit uncashed cheques from a cell entry on the form.

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**Certification fees**

- 5 The fees we charged for grant certification work in 2008/09 were £83,448. Fees are calculated on the basis of time input to complete the grant claims.

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**Actions**

- 6 Appendix 2 summarises my recommendations. The relevant officers of the Council have already agreed these recommendations and to complete the action required.

# Background

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- 7 The Council claims £153 million 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.
- 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 the government departments and public bodies to Oxford City Council. We 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.
- 9 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 10 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.

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# Findings

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## Control environment

- 11 Pooling of Housing Capital Receipts** - This claim is relatively complex and high value so we were not able to place reliance on the control environment. In prior years audit have found errors in these claims, however it was positive that this year it was correct. The control environment could be improved by a review of the claim and supporting working papers by a second person prior to the audit.
- 12 Disabled Facilities** - We were able to rely on the control environment for this claim as it is not a complex claim and is relatively low value. The claim preparers are experienced, they produce good working papers and we have not found any errors in previous audits. There are rigorous procedures in place to administer the grant. A separate cost centre has been set up for the grant so expenditure is easily identifiable.
- 13 HRA Subsidy Base Data** - This is a highly complex claim so we were not able to place reliance on the control environment. In prior years the claim has been qualified and a number of errors have been found. A new preparer was in place this year. The control environment could be improved by a review of the claim and supporting working papers by a second person prior to the audit.
- 14 Housing Subsidies and Grants** - This is a highly complex claim so we were not able to place reliance on the control environment as this is a highly complex claim. In prior years the claim has been qualified and a number of errors have been found. A new preparer was in place this year. The control environment could be improved by a review of the claim and supporting working papers by a second person prior to the audit.
- 15 National Non Domestic Rates Return** - We were able to rely on the control environment for this claim even though it is high value and there are a high number of transactions involved as the claim preparer is very experienced and produces very good working papers. Prior year audits have not found any problems with this claim.
- 16 Housing Benefit and Council Tax Benefit Claim** - This claim is highly complex and very high value therefore we were not able to rely on the control environment. Prior year audits have resulted in qualifications and amendments. The issues with this claim are more to do with the administration of the awarding of benefits during the year than the compilation of the claim at the end of the year. The control environment could be improved by training benefit staff on areas identified during the audit where mistakes are being made and more supervisory review of benefit awards during the year.

## Findings

### Recommendations

- R1** The Council should introduce a review of the claim and supporting working papers by a second person prior to the audit. This would improve the control environment for the Housing Pooled Capital Receipts, HRA subsidy base data and Housing subsidies claims.
- R2** In order to further improve working papers the Council should produce standard proforma working papers every year to enable us to carry out the audit efficiently.
- R3** The Council should train benefit staff on areas identified during the audit where mistakes are being made and more supervisory review of benefits wards during the year. This would improve the control environment for the Housing Benefit and Council Tax Benefit claim.

### Specific claims

- 17 HRA Subsidy Base Data** - This claim was qualified and amended because we couldn't agree some of the figures in the claim to supporting working papers. The Council advised us that the department had told them to take a different approach than that set out in the certification instruction, however as it did not agree with our guidance we had to qualify the claim. The department took no action.

### Recommendation

- R4** To receive the appropriate rate of grant the Council should ensure that figures in its systems agree with figures on the grant claim, for example:
- ensure that the number of dwellings on the CLG spreadsheet in column S equals the entry in field F001dp; and
  - the Council should ensure fields F001mm to F008mm and F0017mm to F024mm allocate traditional and non-traditional dwellings appropriately.

- 18 Housing Subsidies and Grants** - This claim was amended because we couldn't agree some of the figures in the claim to supporting working papers.

### Recommendation

- R5** To receive the appropriate rate of grant the Council should ensure that figures in its systems agree with figures on the grant claim, for example:
- the Council should ensure that the entry in field F004dc should agree with the certified entry in field F001dp of form 10B2.

- 19 Housing Benefit and Council Tax Benefit Claim** - This claim was qualified and amended. It was qualified as testing of cases of benefit paid found that earnings figures were not being used correctly in benefit entitlement calculations. An amendment was required as the uncashed cheque figure was not complete.

**Recommendations**

- R6** The Council should ensure benefits staff are trained on how earnings figures should be used in benefit entitlement calculations to ensure benefit is being paid at the correct rate.
- R7** The Council should ensure the uncashed cheque figure on the claim presented for audit is complete so they receive the appropriate rate of grant.



# Appendix 1 – Summary of 2008/09 certified claims

## Claims and returns above £500,000

Service	Claim	Value £	Adequate control environment	Amended	Qualification letter
Finance	Housing and council tax benefit	58,491,724	No	Yes	Yes
Finance	Housing subsidies and grants	10,542,494	No	Yes	No
Finance	HRA base data	N/a	No	Yes	Yes
Finance	Pooling of housing capital receipts	7,588,480	No	No	No
Finance	National non domestic rates return	76,023,791	Yes	No	No

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

Service	Claim	Value £	Amended
Finance	Disabled facilities	390,000	No

## Appendix 2 – Action plan

Pg no	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Claims and Returns Report 2008/09 - Recommendations</b>						
<b>Control Environment</b>						
7	R1 The Council should introduce a review of the claim and supporting working papers by a second person prior to the audit. This would improve the control environment for the Housing Pooled Capital Receipts, HRA subsidy base data and Housing subsidies claims.	3	Cat O'Connor Debbie Williams	Agreed	All quarterly pooled capital receipt claims are signed as checked by a second person. The review of the final claim was not evidenced by signature.  All the Housing Subsidy claims were reviewed by a second person but not evidenced as such. The Council will review the guidance and training given to the second person who reviews each claim	As claims are submitted
7	R2 The Council should produce standard proforma working papers every year to enable us to carry out the audit efficiently.	3	All grant claim preparers	Agreed	Working papers and evidence trails similar to year-end will be adopted	As claims are submitted
7	R3 The Council should train benefit staff on areas identified during the audit where mistakes are being made and more supervisory review of benefits wards during the year. This would improve the control environment for the Housing Benefit and Council Tax Benefit claim.	3	Pauline Hull	Agreed	The creation of a more responsive Projects and Improvements team is underway. A priority task will be to conduct training on the issues raised.	April 2010

## Appendix 2 - Action plan

Pg no	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>HRA Subsidy Base Data Return</b>						
7	R4 To receive the appropriate rate of grant the Council should ensure that figures in its systems agree with figures on the grant claim, for example: <ul style="list-style-type: none"> <li>ensure that the number of dwellings on the CLG spreadsheet in column S equals the entry in field F001dp; and</li> <li>the Council should ensure fields F001mm to F008mm and F0017mm to F024mm allocate traditional and non-traditional dwellings appropriately.</li> </ul>	3	Cat O'Connor	Not agreed  Agreed	This relates to the external leased properties that are not subject to the rent restructure like our normal dwellings. I have an email from CLG stating that those particular properties did not have to be included in the caps and limit spreadsheet. However, because we own the properties they had to be included in our total property count. Hence the two numbers will not be the same. Note: DCLG took no action on the qualification from the Audit Commission.	As claims are submitted
<b>Housing Subsidies and Grants</b>						
7	R5 To receive the appropriate rate of grant the Council should ensure that figures in its systems agree with figures on the grant claim, for example: <ul style="list-style-type: none"> <li>the Council should ensure that the entry in field F004dc should agree with the certified entry in field F001dp of form 10B2.</li> </ul>	3	Cat O'Connor	Not agreed	F004dc is from the 08-09 03 return which just needs the estimated no of dwellings at 31 March 2009 including shared ownership. F001dp from the other form requires the no of dwellings on 1 April 2009 including the authority's share of shared ownership dwellings and including PFI dwellings. It then has an additional note to state that 'however, they should not include unoccupied dwellings which the authority had formally resolved before 1 April 2008 should be demolished or disposed of and which were no longer available for letting on 1 April 2009'. Hence some properties were excluded therefore a difference in the two numbers.	

Pg no	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Housing Benefit and Council Tax Benefit Scheme</b>						
8	R6 The Council should ensure benefits staff are trained on how earnings figures should be used in benefit entitlement calculations to ensure benefit is being paid at the correct rate.	3	Pauline Hull	Agreed	See response to Recommendation 3 above	
8	R7 The Council should ensure the uncashed cheque figure on the claim presented for audit is complete so they receive the appropriate rate of grant.	3	Pauline Hull	Agreed		Implementation for claim

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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

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