

Certification of claims and returns - annual report

Oxford City 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.

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Summary

This report summarises the findings from certifying 2009/10 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.

Certification of claims and returns

1 Funding from government grant-paying departments is an important income stream for Oxford City Council (the Council). The Council needs to manage claiming this income carefully and spend the income within the conditions set by the government departments.

2 Section 28 of the Audit Commission Act 1998 requires auditors to certify specific claims and returns. The Audit Commission and the relevant government departments agree on the work required. The Audit Commission sets out the checks in certification instructions for each claim and return. Auditors charge a fee to cover the full cost of certifying claims and returns. The fee reflects the work required for each claim or return.

3 The Audit Commission does not certify claims and returns below £125,000. For specific claims and returns between £125,000 and £500,000 the Audit Commission asks auditors to do limited tests, checking the entries to underlying records.

4 For specific claims and returns over £500,000 the Audit Commission has set the following arrangements. Auditors assess the control environment for preparing the claim or return. Where auditors can rely on the control environment, they undertake limited tests to agree the claim or return entries to underlying records but do not undertake any testing of the eligibility of spending or data. Where auditors cannot rely on the control environment, they undertake all the tests in the certification instruction and use their assessment of the control environment to inform decisions on the testing required. This means auditors will ask for lower audit fees for certification work if the control environment is strong.

5 Councils are responsible for compiling grant claims and returns under the requirements and timescale set by the grant paying departments. It is important for councils to manage this properly by:

- putting in place a satisfactory control environment over each claim and return; and
- showing how they meet the conditions for each claim or return.

6 The Audit Commission has published a statement summarising its certification arrangements and the respective responsibilities of grant-paying bodies, councils and auditors. Claims and returns may be amended where a council and auditor agree it is necessary. The auditor's certificate may refer to a qualification letter where there is a disagreement or uncertainty or the council has not complied with the grant or return conditions. More detail on certification arrangements is in the Audit Commission's 'Statement of Responsibilities in Relation to Claims and Returns' at www.audit-commission.gov.uk.

Significant findings

7 In 2009/10, my audit team certified six claims with a total value of £156 million. Of these, we carried out a limited review of three claims and a full review of three claims. We amended three claims requiring full certification for errors. For two of these three claims I issued a qualification letter to the grant-paying body. Appendix 1 contains a summary of the work I have done on 2009/10 claims.

8 If we find figures are wrong on claims presented to us to audit we either agree an amendment with the Council officers or if needed issue a qualification letter. Last year we had three claims amended and of these three we had two where we issued qualification letters. The qualification letter on the Housing Revenue Account (HRA) base data subsidy return resulted from a lack of supporting property listings for entries on the claim and the calculation of the value of the housing stock. The Housing and Council Tax benefit claim was qualified because of errors in calculating claim with state retirement pension and in the use of earnings figures in housing benefit claim.

9 Amendments to the HRA subsidy return were needed because figures were not consistent with the relevant forms where required and the calculation of the capital financing requirement did not following the HRA determination.

Certification fees

10 The fees I charged for grant certification work in 2009/10 were £96,044 and in 2008/09 £84,229 and are based on time taken to complete the grant claims.

Findings

Control environment

11 I was able to place reliance on the control environment in the following claims:

- Pooling of Housing Capital Receipts;
- Disabled Facilities; and
- National Non-Domestic Rates Return.

12 I was able to do this because the preparers are experienced and there were only minor errors in previous claims. Also good working papers are produced.

13 I was not able to place reliance on the control environment in the following claims:

- HRA Subsidy Base Data;
- Housing Subsidies and Grants; and
- Housing Benefit and Council Tax Benefit Claim.

14 I was not able to place reliance on the control environment over the housing subsidy claims as these are complex claim and in prior years the claim has been qualified. A new preparer was in place this year who was unfamiliar with the organisation and would have benefited from more support. The control environment could be improved by a review of the claim and supporting working papers by a second person before the audit.

15 I was not able to rely on the control environment for the Housing Benefit and Council Tax Benefit Claim as it is complex and high value. The issue is the complexity of the benefit scheme rather than compiling the claim at the year end. Prior year audits have resulted in qualifications and amendments. Improvements to the control environment could be made 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.

Recommendations

R1 Introduce a review of the claim and supporting working papers by a second person before the audit. This would improve the control environment for the HRA Subsidy Base Data and Housing Subsidies claims.

R2 Produce a standard form of working papers to allow us to carry out the audit efficiently.

R3 Train benefit staff on areas identified during the audit where mistakes are being made and more supervisory review of benefits awards during the year.

16 Recommendations R1 and R2 were included in our Certification of claims and returns Annual Report last year and are repeated as they still need action to be taken on them.

Specific claims

HRA subsidy base data

17 Claim qualified and amended because we couldn't agree some of the figures in the claim to supporting working papers.

Recommendation

R4 To receive the correct rate of grant the Council should ensure that figures in its systems and working papers agree with figures on the grant claim and are calculated following grant instructions, for example:

- include all relevant properties in the correct category and keep working papers up to date during the year and explain any movements;
- ensure working papers for the total number of void properties agree with the entry on the claim;
- calculate of the existing use value of the housing stock with the correct number of houses and explain any adjustments;
- ensure working papers provided for the average weekly rent agree with the entry on the claim;
- adjust the total number of dwellings for the part of shared ownership properties that do not belong to the Council and reflect the equivalent dwellings in hostels (that is including each hostel as a full bed space); and
- do not include disposals until the Council has a valuation agreed with the CLG at the time it approved the housing transfer.

Housing subsidies and grants

18 Claim amended because figures were inconsistent with relevant entries on previous forms and other figures were not calculated follow grant instructions.

Recommendation

R5 To receive the correct rate of grant the Council should ensure that figures in its systems agree with figures on the grant claim and calculate them following grant instructions, for example:

- the entry in Field F004dc (estimated number of dwellings at 31 March 2010 including shared ownership) agrees with the certified entry in field F001dp of form 11B2 (number of dwellings on 1 April 2010);

Recommendation

- the entry in Field F000dc (number of dwellings as at 1 April 2009) agrees with the certified entry in field F001dp of form 10B2; (number of dwellings 1 April 2009);
 - calculate the opening housing revenue account capital financing requirement following the HRA Determination; and
 - calculate the mid-year housing revenue account capital financing requirement following the HRA Determination.
-

Housing Benefit and Council Tax Benefit Claim

19 Claim qualified and amended because of benefit overpaid because of miscalculations of the claimant's state retirement pension and earnings figures not being used correctly in benefit claim calculations. An amendment was required as the uncashed cheque figure was not complete.

Recommendations

- R6** Train benefits staff on how earnings figures should be used in benefit claim calculations to ensure benefit is paid at the correct rate.
- R7** Train benefits staff on how state retirement pension figures should be used in benefit claim calculations to ensure benefit is paid at the correct rate.
- R8** Ensure the uncashed cheque figure on the claim presented for audit is complete.
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Appendix 1 Summary of 2009/10 certified claims

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

Service	Claim	Value £	Adequate control environment	Amended	Qualification letter	Audit fee 2008/09 £	Audit fee 2009/10 £
Finance	Pooling of housing capital receipts	£856,750	Yes	No	No	4,968	2,235
Finance	HRA subsidy base data	N/a	No	Yes	Yes	5,370	6,730
Finance	Housing subsidies and grants	£11,009,130	No	Yes	No	4,402	8,256
Finance	National non domestic rates return	£75,753,887	Yes	No	No	1,526	1,505
Finance	Housing and council tax benefit	£68,313,446	No	Yes	Yes	65,170	74,869

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

Service	Claim	Value £	Amended	Audit fee 2008/09 £	Audit fee 2009/10 £
Finance	Disabled facilities	£390,000	No	2,149	1,609

Source: *Claims and returns control record*

Planning and report writing	644	840
Total cost	84,229	96,044

Appendix 2 Action plan

Recommendations

Recommendation 1

Introduce a review of the claim and supporting working papers by a second person before the audit. This would improve the control environment for the HRA Subsidy Base Data and Housing Subsidies claims.

Responsibility	Management Accounting Manager and Financial Accounting Manager
Priority	Medium
Date	July 2011
Comments	Agreed and this is undertaken on some returns already.

Recommendation 2

Produce a standard form of working papers to allow us to carry out the audit efficiently.

Responsibility	Management Accounting Manager and Financial Accounting Manager
Priority	Medium
Date	July 2011
Comments	Agreed but standard would be difficult to establish, however, will ensure all working papers and clearly set out and cross referenced.

Recommendation 3

Train benefit staff on areas identified during the audit where mistakes are being made and more supervisory review of benefits awards during the year.

Responsibility	Head of Customer Services
Priority	Medium
Date	April 2011
Comments	Agreed

Recommendation 4

To receive the correct rate of grant the Council should ensure that figures in its systems and working papers agree with figures on the grant claim and are calculated following grant instructions, for example:

- include all relevant properties in the correct category and keep working papers up to date during the year and explain any movements;
- ensure working papers for the total number of void properties agree with the entry on the claim;
- calculate of the existing use value of the housing stock with the correct number of houses and explain any adjustments;
- ensure working papers provided for the average weekly rent agree with the entry on the claim;
- adjust the total number of dwellings for the part of shared ownership properties that do not belong to the Council and reflect the equivalent dwellings in hostels (that is including each hostel as a full bed space); and
- do not include disposals until the Council has a valuation agreed with the CLG at the time it approved the housing transfer.

Responsibility	Management Accounting Manager
Priority	Medium
Date	April 2011
Comments	Agreed

Recommendation 5

To receive the correct rate of grant the Council should ensure that figures in its systems agree with figures on the grant claim and calculate them following grant instructions, for example:

- the entry in Field F004dc (estimated number of dwellings at 31 March 2010 including shared ownership) agrees with the certified entry in field F001dp of form 11B2 (number of dwellings on 1 April 2010);
- the entry in Field F000dc (number of dwellings as at 1 April 2009) agrees with the certified entry in field F001dp of form 10B2; (number of dwellings 1 April 2009);
- calculate the opening housing revenue account capital financing requirement following the HRA Determination; and
- calculate the mid-year housing revenue account capital financing requirement following the HRA Determination.

Responsibility	Management Accounting Manager
Priority	Medium
Date	April 2011
Comments	Agreed

Recommendation 6

Train benefits staff on how earnings figures should be used in benefit claim calculations to ensure benefit is paid at the correct rate.

Responsibility	Head of Customer Services
Priority	Medium
Date	April 2011
Comments	Agreed

Recommendation 7

Train benefits staff on how state retirement pension figures should be used in benefit claim calculations to ensure benefit is paid at the correct rate.

Responsibility	Head of Customer Services
Priority	Medium
Date	April 2011
Comments	Agreed

Recommendation 8

Ensure the uncashed cheque figure on the claim presented for audit is complete.

Responsibility	Financial Accounting Manager
Priority	Medium
Date	April 2011
Comments	Agreed

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