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To Members of the Audit and
Governance Committee

01 February 2012

Our ref:

Your ref:

Dear Councillor

AUDIT AND GOVERNANCE COMMITTEE - MONDAY 6 FEBRUARY 2012

I attach the following revised report. Please bring these documents to the meeting

Agenda No Item

4. **Certification of Claims and Returns - Annual Report - Audit Commission
(Pages 1 - 20)**

The Head of Finance has submitted a report on behalf of the Audit Commission which sets out their findings and recommendations from their work on certifying grants claims and returns.

The Committee is asked to comment on and note the report.

Yours sincerely

Mathew Metcalfe, Democratic Services Officer
Democratic Services Officer
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Certification of claims and returns - annual report

Oxford City Council

Audit 2010/11

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Agenda Item 4

 audit
commission

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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies, and must complete returns for it to government departments. My certification work gives these grant-paying bodies assurance that claims are made properly or that information in financial returns is reliable. This report summarises my 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, arrange 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 they must do before giving that certificate. The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but broadly:

- below £125,000 the Commission does not make certification arrangements and I do not need to audit the claim or return;
- between £125,000 and £500,000, I undertake limited tests to agree form entries to underlying records, but do not test that the expenditure is eligible; and
- over £500,000 I plan and perform my work in accordance with the certification instruction. I assess the control environment for preparing the claim or return to decide whether I can rely on it. Depending on the outcome, I undertake testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

I agree amendments with your officers where 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 condition

Summary of my 2010/11 certification work

Overall the Authority has performed well in some areas in preparing claims and returns

All claims were received on time and I was able to complete my work in time to certify all the claims and returns before the deadline date. I issued two qualification letters. One was for the Housing and council tax benefit claim and did not contain any significant issues. The other was for the Housing finance base data return and contained issues which I had reported on last year.

I amended to two claims.

Table 1: **Summary of 2010/11 certification work**

Number of claims and returns certified	
Total value of claims and returns certified	£157,881,000
Number of claims and returns amended because of errors	2
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	2
Total cost of certification work	£75,165

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.

I received all claims on time. I found that officers at the Council were knowledgeable about the claims they had prepared and were able to answer my queries quickly. There were some delays in getting information that I needed to complete my audit of the Housing Benefit and Council Tax claim and I have made recommendations on these in the table below.

The Housing Benefit and Council Tax claim is a large and complex claim. While I issued a qualification letter none of the issues were significant and related to applying the right amount of working tax credit and child tax credit figures (WTC & CTC) and correctly classifying overpayments.

My testing of rent rebates identified one case where the incorrect amount of WTC & CTC had been used resulting in overpayment of benefit (value £99.44). An additional random sample of 40 cases was selected and this identified a further 2 errors (value £5.18). Using the method provided this gives an extrapolated error of under £4,000. In line with guidance the claim I did not amend the claim for this.

Testing Council tax benefit of the first sample identified one case where the incorrect amount of WTC & CTC was used resulting in overpayment of benefit (value £4.35). An additional random sample of 40 cases was selected and no further errors were identified. In line with guidance I did not amend the claim for this.

Testing of rent rebate technical overpayments identified 2 overpayments classified as technical rather than claimant error following the death of the claimant. A further 26 cases (value £5,515.99) were identified where the overpayment was classified mistakenly. Using the method provided this gives an extrapolated error of just over £8,000. In line with guidance I did not amend the claim for this.

The housing related claims use a system called Logasnet to enter data for the claim. A number were not complete. The prescriptive guidance says that where the value for a field on the claim is nil, a zero must be entered. This had not been done and I had to ask DCLG to unlock the claim so these could be entered. This increased my time in auditing the claim.

There were some errors last year which had been repeated for 2010/11.

I issued a qualification letter on the Housing finance base data return. There were two issues:

- The Council carried out a comprehensive survey about 11 years ago, and the results of that survey are held by the Council. Since that survey, the Council has amended the field entries every year to reflect movements in stock numbers, and these movements have been confirmed through audit work in previous years. However, they have not kept individual listings for each of the field entries;
- I am required to ensure the entry in field F001RI is based on January 1999 prices at existing use value. The Council has provided me with a spreadsheet giving existing use value for each of the properties held as at 1 April 2011. While the property prices agree to those used to calculate the claim, the Council is unable to provide evidence that the prices represent those as at January 1999. In addition when the full valuation of the Council's housing stock was carried out in 2000 the valuation had to be adjusted back to 1999 values. This adjustment was based on the average percentage price rise increase between 1999 and 2000 (24%), rather than the average decrease required to lower the 2000 values back to the 1999 values (19%)". the HRA Accountant stated the calculation of the 1999 property values was reviewed and approved by the ODPM. I asked a copy of the ODPM letter, but the Council was unable to provide this letter. Therefore I cannot confirm whether there is an overstatement to this cell.

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I issued a qualification letter for the same two issues in 2009/10.

These claims should be reviewed before the claims are sent to me to ensure action is taken to deal with the qualification issues.

Due to changes being made to the way housing is funded a housing finance base data return will no longer be required and 2011/12 will be the final year of the subsidy claim. Recommendations are included for completeness.

The standard of working papers and the knowledge of preparer of the National non-domestic rates return was excellent.

Table 2: **Claims and returns above £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made (£'000)	Was a qualification letter issued?
Housing and council tax benefit scheme	69,878	No – The work I need to do is set out in a certification instruction agreed with the DWP which requires substantive testing of individual claims.	2	Yes
HRA subsidy	-11,704	No – because I have had to amend to the claim in 2008/09 and 2009/10	-82	No
Housing finance base data return	No value – this return contains housing information.	No - because of the claims history of amendment and qualification	0	Yes
National non-domestic rates return	75,448	Yes	0	No

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Table 3: Claims between £125,000 and £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made (£'000)	Qualification letter
Pooling of housing capital receipts	404	0	No
Disabled facilities	447	0	No

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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
Introduce a review of the HRA Subsidy base data return and the working papers by a second person before the audit.	M	July 2011	Management Accounting Manager and Financial Accounting Manager	Completed	The return had been reviewed this year.
Produce working papers which are clearly set out and cross referenced.	M	July 2011	Management Accounting Manager and Financial Accounting Manager	Completed	The standard of working papers for all grant claims was good this year.
Ensure figures used in the HRA subsidy base data return are calculated	M	April 2011	Management Accounting Manager	Not completed	Fields SF000CF and SF001CF had incorrect values. 53 fields had

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
following grant instructions.					been left empty and needed zeros entered.
Ensure figures used in the Housing Subsidy return agree to reports and are calculations follow grant instructions.	M	April 2011	Management Accounting Manager	Not completed	Fields F001ci and F005ci had incorrect values. 3 fields had been left empty and needed zeros entered.
Train benefit staff on areas identified during the audit where mistakes are being made and more supervisory review of benefits during the year.	M			Completed	I can confirm that a training course on earnings was provided on 5 May 2010. The SRP problems (and any other subsidy problems that are identified within the year) are mentioned in an advisory update that is sent out by the benefits manager weekly. We have a system of quality checks. We continue with targeted subsidy cell checks the outcomes of which are reported to the team leaders

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Train benefits staff on how earnings figures should be used in benefit calculations to ensure benefit is paid at the correct rate.	M	April 2011	Head of Customer Service	Completed	monthly (as examples see rent officer attachment and eligible overpayments).
→ 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	M	April 2011	Head of Customer Service	Completed	See above
Ensure the uncashed cheque figure on the Housing Benefits and Council tax benefit claim is complete.	M	April 2011	Financial Accounting Manager	Not fully completed	Improvements made but a small amendment had to be made for items double counted (value of amendment less than £200).

Summary of recommendations

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	Claim or return	Agreed action	Date for implementation	Responsible officer
Ensure that enough resources are available to allow the Council to answer audit questions and queries.	M	Housing and council tax benefit scheme	We have agreed for the audit to begin earlier next year, and for the workbooks to be provided promptly by the AC to facilitate this. The relevant staffing resources have got this time scheduled into their diaries.	Immediate	Helen Bishop Head of Customer Services
Process all adjustments from cell 23 before producing the housing benefit and council tax claim.	M	Housing and council tax benefit scheme	Agreed to process all adjustments prior to producing the claim.	Before the final claim is run on 30 April 2012	Pauline Hull Team Leader Systems and Subsidy Team
Ensure that the necessary IT technical skills are readily available to run Academy	M	Housing and council tax benefit scheme	We have a new City ICT team responsible for this area of work. We will work	1 April 2012	Helen Bishop Head of Customer

Recommendation	Priority	Claim or return	Agreed action	Date for implementation	Responsible officer
reports for subpopulations that I need to test			with City ICT to ensure their staffing resource is fully upskilled by next year.		Services
Ensure that officers are aware of the need to apply the correct rates of WTC & CTC	M	Housing and council tax benefit scheme	Project Atlas has removed the need to manual intervention in these cases	Immediate	Pauline Hull Team Leader Systems and Subsidy Team
Ensure that internal checks cover the areas where we have identified errors.	M	Housing and council tax benefit scheme	Agreed – work plan will be adjusted to take these into account	31 January 2012	Pauline Hull Team Leader Systems and Subsidy Team
Ensure that officers are aware of the correct classification of overpayments	M	Housing and council tax benefit scheme	Training update to be provided to Assessors	31 January 2012	Pauline Hull Team Leader Systems and Subsidy Team
Ensure that uncashed cheques contained within report hb9883f are only counted once.	M	Housing and council tax benefit scheme	Agreed to note this recommendation when dealing with this report	30 April 2012	Pauline Hull Team Leader Systems and Subsidy Team
For claims entered on to Logasnet, check that zeros are entered in any cells with a nil value, before sending me the claim.	M	All Housing claims using Logasnet	Agreed, a data review of Housing Subsidy cell entries will be undertaken before certification and submission to external	31 January 2012	David Watt Finance Business Partner

Recommendation	Priority	Claim or return	Agreed action	Date for implementation	Responsible officer
Survey the housing stock to support property listings used in the Housing finance base data return.	M	Housing finance base data return	A full reconciliation of the base data information has been completed, and will be sufficient to ensure that the information required on the replacement for the Base Data return in complete	31 January 2012	Richard Hawkes Corporate Asset Manager
Review the 24% discount rate for the value of stock used in the Housing finance base data return.	M	Housing finance base data return	This has been a validation query for several years. It is intended to undertake a review, to be complete by June 2012, exploring the options available to the Council and to establish the most cost effective way forward to resolve this issue as well as understanding the implications of the valuations currently used.	1 July 2012	David Watt Finance Business Partner
Ensure that the Housing finance base data return is calculated next year in accordance with grant instructions.	M	HRA subsidy	As 2011/12 is the final year of the existing Housing Subsidy regime much of the stock information	31 March 2012	David Watt Finance Business Partner

Recommendation	Priority	Claim or return	Agreed action	Date for implementation	Responsible officer
Ensure that the Housing Subsidy return is calculated next year in accordance with grant instructions.	M	Housing finance base data return	currently required from Base Data returns will no longer be required as capital investment levels, utilising resources equivalent to existing MRA amounts, will be determined at a local level. It is nonetheless envisaged that any rent convergence data collection aspects that remain along with any new information items are completed in accordance with the grant conditions submitted.	31 March 2012	David Watt Finance Business Partner
As mentioned above there will be no Housing Subsidy returns to complete for 2012/13. There will be the final 2011/12 claim to undertake along with a replacement 2013/14 Base Data return to do during 2012/13 and as mentioned above compliance with grant instructions will be a					

Recommendation	Priority	Claim or return	Agreed action	Date for implementation	Responsible officer
priority.					

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 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	57,644	74,869	Less additional testing identified and low level of error found
Pooling of housing capital receipts	2,108	4,968	Reliance placed on systems and no errors identified
HRA subsidy	7,145	8,256	No new issues identified – same issues as in prior year
Housing finance base data return	5,144	6,730	No new issues identified – same issues as in prior year
National non-domestic rates return	1,775	1,505	Fee dependent on time taken to do the work and this can vary.
Disabled facilities	391	1,609	Reliance placed on systems and no errors identified
Planning and report writing	958	840	-



Claim or return	2010/11 fee £	2009/10 fee £	Reasons for changes in fee greater than +/- 10 per cent
Total	75,165	96,044	

Our initial estimate was that the certification of claims and returns would generate fees of £81,500.

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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.



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