

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 1st MARCH 2011

Report of the Strategic Director (Shirlene Adam).

This matter is the responsibility of the Leader of the Council, Cllr John Williams

GRANT CLAIMS REPORT 2009/10

Executive Summary

This report introduces the Certification of Claims and Returns report 2009/10 – prepared by our external auditors, the Audit Commission (and set out in an Appendix to this report).

The report, which will be presented by the Audit Commission, summarises their findings from their 2009/10 review work.

1. Background

- 1.1 The Audit Commission has finalised its review of the Councils arrangements to prepare grant claims.
- 1.2 Their full report, along with the detailed recommendations is set out in Appendix 1.
- 1.3 This report has influenced the Annual Governance Report and Annual Audit Letter which are considered later in the agenda.

2. Financial Issues / Comments

- 2.1 The claims reviewed by the Audit Commission totalled £45m. This is clearly a significant income stream to the authority and we must make sure that proper arrangements are in place to meet the “conditions” of the grants.
- 2.2 The report highlights several areas where improvements can be made and the action plan reflects this. The action plan will be monitored to ensure the issues are progressed.

3. Legal Comments

- 3.1 There are no legal implications from this report.

4. Links to Corporate Aims

- 4.1 No direct implications.

5. Environmental and Community Safety Implications

- 5.1 No direct implications.

6. Equalities Impact

6.1 No implications.

7. Risk Management

7.1 Any risks identified will feed in to the corporate risk management process.

8. Partnership Implications

8.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) will take the findings of this report into account when identifying the areas of risk to be audited next year.

9. Recommendation

9.1 Members are requested to note the Certification of Claims and Returns report from the Audit Commission.

Contact Officers:

Shirlene Adam Strategic Director 01823 356310 s.adam@tauntondeane.gov.uk	Maggie Hammond Strategic Finance Officer 01823 358698 m.hammond@tauntondeane.gov.uk
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Certification of claims and returns - annual report

Taunton Deane Borough 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

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 2009/10 claims. It includes the messages arising from our assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

We attach an action plan containing recommendations for improvement where appropriate.

We thank the Council for the help and assistance provided by the staff involved in preparing the grant claims.

Certification of claims

1 Taunton Deane Borough Council receives 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 the Council manages certification work properly and can demonstrate to us, as auditors that the relevant conditions have been met.

2 In 2009/10, we certified 6 claims with a total value of £45 million. Of these, we carried out a limited review of 1 claim and a full review of 5 claims. (Paragraph 10 explains the difference.) We amended 4 claims requiring full certification for errors. For 1 claim, 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.

3 The fee for the audit of grant claims in 2009/10 was £32,500.

Actions

4 Appendix 2 summarises my recommendations. The relevant officers of the Council have already agreed these recommendations.

Background

5 The Council claims monies for specific activities from grant paying departments. As this is significant to the Council's income it is important that this is properly managed. In particular this means:

- that the Council has 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.

6 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 Taunton Deane Borough 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.

7 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

8 The key features of the current arrangements are as follows.

- For claims and returns below £125,000 the Commission does not make certification arrangements.
- For claims and returns between £125,000 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 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 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 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.

Audit approach

9 In completing the audit of grant claims and returns, we follow detailed guidance documented in the Audit Commission Certification Instructions (CIs). The CIs describe the purpose of the scheme, the rules and regulations concerning the claim and the audit tests to be applied in our examination of the claim.

10 The certificate included on each claim or return requires us to apply some of or all the tests in the relevant CI dependant on the amount claimed and our assessment of the strength of the control framework surrounding the claim.

11 For the Housing Benefit and Council Tax Benefit Subsidy Claim and claims under £500,000 we are not required to assess the adequacy of the control environment.

12 Our audit work on the Council's 2009/10 claims is now complete and all claims have been certified (with or without qualification), although we will continue to respond to any queries from grant paying departments.

13 Where we are unable to certify the entries are fairly stated and that expenditure has been properly incurred in accordance with the conditions under which the claim is made, we either:

- request the Council to amend the claim; or
- issue a report on the claim explaining why we are unable to certify the claim without qualification.

14 Where our certificate is qualified we are required to indicate or estimate the value of any errors in the claim. On receipt of our report the grant paying department will consider what if any other action is appropriate. In some circumstances they may request further information and/or adjust any sum owing or owed to the Council.

Summary of our findings

15 The table below is a summary of the results of our certification work.

Table 1: **Results Summary**

Criteria	2009/10	2008/09	2007/08
Number of claims submitted	6	6	6
Number of qualifications	1	3	2
Number of claims amended	5	3	4
Number of claims received late	3	0	0
Number of claims achieving audit deadline	6	5	6

The way forward

16 We have made recommendations in this report which should help bring about improvements in the Council's grant arrangements. The Council also needs to ensure that all issues raised in any qualification letters are addressed, to reduce the risk of qualifications.

Detailed findings

Control environment

17 Due to the issues identified during 2009/10 from our review of the financial systems and controls, no reliance was placed on the control environment for any of the claims.

18 For 2010/11 we hope that improvements in the financial systems and controls will mean that greater reliance can be placed on them and so reduce the level of audit work required to certify the grant claims.

Qualitative

19 Officers provided satisfactory working papers to support most the 2009/10 claims, and requests for additional working papers were on the whole provided in a timely manner.

20 However, there is scope for improvement in the quality of the working papers available for the following claims.

- Housing Base Data Return (HOU02).
- Disabled Facilities Grant (HOU21).
- Pooling of Housing Capital Receipts (CFB06).

21 To help with this, we will provide copies of the Certification Instructions to the Council to aid compilation of the working papers that will be required to support our certification of the claim.

Specific claims

22 This report details our assessment of the Council's general arrangements for producing grant claims and returns (hereafter just referred to as claims) and the performance of the Council in respect of 2009/10 claims.

Housing and Council Tax Benefit Subsidy (BEN01)

23 The claim was submitted for audit before the deadline.

24 The CI sets out the number of benefit cases that we are required to test in our initial sample. For Taunton Deane Borough Council the initial sample was 80 cases.

25 The CI also prescribes extra testing where errors have been found in the initial sample or where errors found in previous years audit testing suggest a high-risk of error in the current year. For Taunton Deane Borough Council, an extra 329 cases needed testing because of this requirement.

26 Some of this extra testing identified high rates of error, although these were mainly due to a few high value errors that distorted the final picture. Often the type of error found was the same as in previous years.

27 The extra testing required was passed to the Council to complete, and their findings would be reviewed by us. From the review we identified instances where claims were marked as correct by the Council when in fact they were incorrect. A further second review was then required of all claims by both the Council and by us.

28 The following issues were identified from the audit.

- Incorrect classifications of overpayments for three of the four Benefit types. (Non HRA Rent Rebates, Rent Allowance and Council Tax Cases).
- Overpayment of benefit on Non HRA cases as the incorrect end date had been input.
- Incorrect input of earnings and child Tax Credits resulting in one claimant overpaid and nine claimants underpaid.
- Incorrect input of War Widows Pension for Modified Scheme cases (weekly rather than monthly), and one case where proof of War Pension could not be found on file.

29 This year as a result of the issues identified the claim was amended by the Council and we issued a qualification letter to the grant paying department. A qualification letter has been issued for the past four years. To put this into context, this is a highly complex claim, and a large number of qualification letters are issued by auditors annually on the benefit claim.

30 The claim was amended by £4,910, reducing the amount the Council owes to the grant paying body.

31 The table below provides a summary of the errors found.

Recommendations

R1 The extra testing completed by the Council should be adequately completed so our review does not identify claims marked as correct when in fact they are incorrect.

R2 The Council should review all Non HRA claims to ensure the correct entitlement dates have been used. This should be completed before submission of the BEN01 claim to the DWP, or at least before start of the audit.

R3 The Council should review all Modified Scheme claims to ensure the claims are supported by proof of the War Pension and the correct income amount has been used to calculate entitlement. This should be completed before submission of the BEN01 claim to the DWP, or at least before start of the audit.

Recommendation

R4 As part of the Council's checking processes, a sample of claim with earnings and child tax credits should be reviewed each month/quarter. This will ensure earnings and child tax credit amounts have been correctly taken account of when calculating a claimant's entitlement.

Disabled Facilities Grant (HOU21)

32 The claim was submitted for audit after the deadline.

33 Review of the working papers to support the claim found the spreadsheet used to prepare the claim form did not fully reconcile to supporting working papers. As a result further work was required to reconcile the claim and ensure that all expenditure incurred was claimed and that expenditure was recorded in the correct year. This was particularly the case where a claim was agreed by the year end and there had been no expenditure incurred in the year. This could lead to duplication in both 2009/10 and in 2010/11 when the costs are incurred.

Recommendation

R5 Taunton Deane should ensure the records used to maintain the disabled facilities grants enables easy reconciliation between the amount of allocation spent in the year and the amount to be carried forward for future years. This will ensure the authority does not overclaim in one year and lead to the risk of duplication of claiming of expenditure.

Housing Base Data Return (HOU02)

34 The claim was submitted for audit after the deadline.

35 One minor amendment was made to the claim form where the Council failed to include 10 Bed Spaces in calculating Housing Stock numbers.

36 Following this amendment, the claim was certified without qualification.

Housing Revenue Account Subsidy (HOU01)

37 The claim was submitted for audit before the deadline.

38 Our review of this claim identified two minor issues with this return where incorrect entries had been made on the form.

39 Following these amendments, the claim was certified without qualification.

Pooling of Housing Capital Receipts (CFB06)

40 The claim was submitted for audit after the deadline.

41 As a result of our audit work, the claim was amended to take account of interest that was due to the DCLG because of late payments for two of the four quarters.

42 Following this amendment, the claim was certified without qualification.

Recommendation

R6 A final review of all grant claims should be carried out before the authority certifies and submits the claim to confirm the entries are in line with expectations, and to identify potential omissions.

National Non Domestic Rate (LA01)

43 The claim was submitted for audit before the deadline.

44 Our review of this claim identified no issues with this return and it was certified without amendment or qualification.

Appendix 1 Summary of 2009/10 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and Council tax benefit	5,395,642	N/a	Yes	Yes
Pooling of Housing Capital Receipts	£562,746	No	Yes	No
National Non Domestic Rates	£32,966,372	Yes	No	No
Housing Revenue Account Subsidy (HOU01)	£6,019,864	No	Yes	No
HRA subsidy base data return (HOU02)	N/a	No	Yes	No

Claims between £125,000 and £500,000

Claim	Value £	Amended
Disabled Facilities Grant (HOU21)	£210,000	Yes

Appendix 2 Action Plan

Recommendations

Recommendation 1

The extra testing completed by the Council should be adequately completed so our review does not identify claims marked as correct when in fact they are incorrect.

Responsibility	Performance Manager
Priority	Medium
Agreed	Yes
Comments	Extra testing will be completed in accordance with the recommendation.

Recommendation 2

The Council should review all Non HRA claims to ensure the correct entitlement dates have been used. This should be completed before submission of the BEN01 claim to the DWP, or at least before start of the audit.

Responsibility	Performance Manager
Priority	Medium
Agreed	Yes
Comments	We have introduced a quarterly sample check on cases where the 'first day of entitlement' is not a Monday. Assessment staff received refresher training on 'start dates' in July 2010.

Recommendation 3

The Council should review all Modified Scheme claims to ensure the claims are supported by proof of the War Pension and the correct income amount has been used to calculate entitlement. This should be completed before submission of the BEN01 claim to the DWP, or at least before start of the audit.

Responsibility	Performance Manager
Priority	Medium
Agreed	Yes
Comments	

Recommendation 4

As part of the Council's checking processes, a sample of overpayments should be reviewed each month/quarter to ensure that these are correctly classified for subsidy purposes.

Responsibility	Performance Manager
Priority	High
Agreed	Yes
Comments	We have already introduced a quarterly sample check on overpayments to check they have been correctly classified.

Recommendation 5

As part of the Council's checking processes, a sample of claim with earnings and child tax credits should be reviewed each month/quarter. This will ensure earnings and child tax credit amounts have been correctly taken account of when calculating a claimant's entitlement.

Responsibility	Benefits Manager
Priority	High
Agreed	Yes
Comments	In addition to introducing sample checks of these claims, staff will receive refresher training on how to take Tax Credit income into account for HB& CTB in May 2011.

Recommendation 6

Taunton Deane should ensure the records used to maintain the disabled facilities grants enables easy reconciliation between the amount of allocation spent in the year and the amount to be carried forward for future years. This will ensure the authority does not overclaim in one year and lead to the risk of duplication of claiming of expenditure.

Responsibility	Strategy Lead/SWPSHP Manager
Priority	Medium
Agreed	Yes
Comments	The administration of DFGs will be undertaken by the Somerset West Private Sector Housing Partnership (SWPSHP) from 2010/11 onwards. The Strategy Lead and Housing Accountant will ensure there is a regular and full reconciliation to TDBC's financial accounting records.

Recommendation 7

A final review of all grant claims should be carried out before the authority certifies and submits the claim to confirm the entries are in line with expectations, and to identify potential omissions.

Responsibility	Principal Accountant
Priority	Medium
Agreed	Yes
Comments	The Principal Accountant (SWONE Finance Advisory) will review claims as part of supervisory process. Responsibility for claims accuracy ultimately lies with the certifying officer.

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Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946