

# **Certification of claims and returns - annual report**

**Brighton and Hove City Council**

**Audit 2009/10**



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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 show to its auditors that it has met the conditions that attach to these grants.**

**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 I amended or qualified.**

## **Certification of claims**

**1** In September 2009 the Audit Commission published its report: Review of Arrangements for Certifying Claims and Returns. As a result of the national report, auditors are required to report each year on the results of certification work to those charged with governance. This report will be discussed with the Director of Finance and taken to the next meeting of the Audit Committee.

**2** Brighton and Hove City Council receives more than £489 million funding from various grant paying departments. The grant paying departments attach conditions to many of 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 prove to me, as your auditor, that it has met the relevant conditions.

## **Significant findings**

**3** In 2009/10, my audit team certified nine claims with a total value of £298 million. Of these, my team carried out a limited review of one claim and a full review of eight claims. Appendix 2 explains the certification arrangements.

4 I am pleased to report that:

- the Council has good arrangements for preparing and managing grant claims;
- the Council submits its claims on time; and
- there were no qualification issues or material weaknesses identified during the audits.

5 Audit work carried out found three claims requiring full certification that needed to be amended for minor errors. My audit team was able to certify all claims audited without needing to issue a qualification letter to the grant-paying body. Appendix 1 sets out a full summary of the claims audited.

6 I have raised one recommendation relating to the timeliness of provision of working papers on one claim. In all other cases officers provided good quality working papers and responded to queries promptly.

## Certification fees

7 Table 1 shows the fee charged for grant certification work in 2009/10.

Grant Claim	Certification fee 2009/10	Certification fee 2008/09
Housing Benefit and Council Tax Benefit Subsidy Claim	£32,187	£34,141
Other claims	£23,308	£26,549
Total	£55,495	£60,690

## Actions

8 Appendix 3 summarises my recommendations. The relevant officers of the Council have already agreed these recommendations.

# Detailed findings

## Control environment

**9** My assessment of the control environment for each of the claims or returns certified includes;

- consideration of the expertise and continuity of staff responsible for compiling claims, review of issues arising in previous years;
- complexity of the scheme and volume of transactions;
- the quality of associated working papers; and
- the general arrangements in place for identifying eligible expenditure and running the schemes in accordance with the detailed guidance applicable to them.

**10** In most cases my team assessed the control environment as medium risk due mainly to changes in staffing or the inherent complexity of the particular scheme. The Sure Start, early years and childcare grant and the HRA Housing Subsidy grant have strong control environments.

## Specific claims

### Housing and Council Tax Benefit

**11** This is a complex and high value claim. The Council's arrangements covering production of the claim have improved year-on-year.

**12** My audit approach for 2009/10 was to undertake a significant part of the detailed testing in February and March and revisit later in the year to take the sample testing through to the year end. During the interim visit, my team identified an error in respect of the local authority non-housing revenue account cells. A community mental health team (CMHT) client had been processed as a homeless person causing the benefit to be allocated to an incorrect cell.

**13** This was possible because both CMHT and the homeless persons unit may allocate clients to similar short term leased properties. Officers undertook a test of all 264 cases allocated to addresses that are common to both teams and found 15 errors. As the errors were identified and corrections made to the relevant cases before the year-end, the claim did not require amendment. Undertaking some audit work earlier in the year helps both the Council and my team. In general doing the work early leaves fewer issues to resolve later in the year. My team will aim to continue this approach for the 2010/11 audit.

**14** Testing for 2009/10 also identified one minor error of £350 requiring a change to two cells on the claim. I made amendments to the claim as a result of this finding.

**15** I am grateful to officers involved with housing benefits for support provided during the audit. The claim was certified and submitted without qualification within the deadline set by DWP.

### **Housing Subsidy, Housing Subsidy base data return and Pooling of Capital Receipts**

**16** The working papers provided in support of these claims were of a high-quality and queries were resolved quickly. All three claims were certified and submitted within the deadlines set by CLG and without amendment or qualification.

### **National Non-Domestic Rates**

**17** The testing for this grant includes checking that exemptions and reliefs are properly granted. Testing did not find any errors. The claim was submitted by the CLG deadline without amendment or qualification. I am grateful to staff for their help during the audit.

### **Teachers' Pensions Return**

**18** This is a significant and complex return and the information for some cells is difficult to obtain from the current HR Payroll system. One error was identified that affected the amount due by £1,032. Officers agreed the necessary adjustment and amended the return.

**19** As in 2008/09 there were some delays in obtaining information and audit queries took a considerable time to resolve. I recommend that detailed working papers to support all the cells in the return and enable the selection of samples for testing are made available when the return is submitted for audit and that officers preparing the return are aware of the timescales involved, so queries are responded to more promptly.

**20** Ultimately the return was certified and submitted within the deadline set by Teachers' Pensions without qualification.

## **Recommendation**

**R1** Ensure that detailed working papers to support all the cells in the Teachers Pensions return are made available when the return is submitted for audit. Workings papers should contain enough detail to allow samples to be selected for detailed audit testing. All queries arising should be responded to promptly.

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### **Sure Start early years and childcare**

**21** The control environment for this claim was assessed as low risk. This meant that more limited testing was needed. The claim was supported by good working papers and was certified and submitted without amendment or qualification and within the deadline set by the Department for Education.

### **Disabled Facilities Grant**

**22** My team found no errors during work done on this claim. The claim was certified and submitted within the deadlines set by CLG and without amendment or qualification. This represents a significant improvement over the previous year when several errors were identified and the claim was both amended and qualified.

### **Coastal Protection Scheme**

**23** This grant related to coastal defence work carried out over several financial years. Following completion of the work the final claim form required certification. Audit checks carried out found a minor error of £359 on the claim form which did not affect the total amount due. Officers agreed the adjustment needed and amended the claim. The certified claim was submitted within the timescales specified in the grant conditions.



## Appendix 1 Summary of 2009/10 certified claims

### Claims and returns above £500,000

Claim	Value £,000	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	171,916	Yes	Yes	No
Pooling of housing capital receipts	719	Yes	No	No
HRA subsidy	2,866	Yes	No	No
HRA subsidy base data return	N/A	Yes	No	No
National non-domestic rates return (NNDR3)	89,983	Yes	No	No
Teachers' pensions return	13,539	Yes	Yes	No
Sure start, early years and childcare	8,588	Yes	No	No
Disabled Facilities Grant	1,114	Yes	No	No
Coastal Protection Scheme	10,169	Yes	Yes	No

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

There were no claims between £100,000 and £500,000 which required audit.

## Appendix 2 Background

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 Brighton and Hove City Council.

I charge a fee to cover the full cost of certifying claims. The fee depends on the work required to certify each claim or return.

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

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

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Table 1: **Certification arrangements**

Audit work is reduced if the control environment for the claim or return is strong

Claim value	Certification arrangements
Below £100,000	Arrangements are not certified
Between £100,000 and £500,000	Auditors undertake limited tests to agree form entries to underlying records; testing will not include checks on the eligibility of spending.
Over £500,000	Assess the control environment If reliance can be placed on it, auditors undertake limited tests to agree claim form entries to underlying records; testing will not include checks on the eligibility of spending. Where reliance cannot be placed on the control environment, auditors undertake all tests in the certification instruction.

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*Source: Audit Commission*

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For claims spanning over more than one year, the financial limits above apply to the amount claimed over the entire life of the claim and influences the amount of testing carried out. The approach governs the amount of grants work we undertake, placing more emphasis on the high value claims.

## Appendix 3 Action Plan

### Recommendation

#### Recommendation 1

Ensure that detailed working papers to support all the cells in the Teachers Pensions return are made available when the return is submitted for audit. Workings papers should contain enough detail to allow samples to be selected for detailed audit testing. All queries arising should be responded to promptly.

<b>Responsibility</b>	Head of People Centre
<b>Priority</b>	Medium
<b>Date</b>	January 2011
<b>Comments</b>	Working Papers will be provided at the time of submission in accordance with audit requirements.

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