

Certification of claims and returns - annual report

London Borough of Hammersmith and Fulham

Audit 2010/11



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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 are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification 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, make arrangements 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 auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers 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 conditions.

Summary of my 2010/11 certification work

We certified nine grant claims for the Council with a total value of £355 million. The overall quality of grant claims presented to audit is adequate. The three qualifications issued are as follows.

- The national non-domestic rates return was qualified as evidence was not retained to demonstrate that one property from a sample of ten was entitled to receive empty property relief. This is considered a one-off error.
- The housing benefits claim was qualified for a number of issues, but most significantly due to the incorrect classification of overpayments as either claimant or local authority error.
- The new deal for communities claim was qualified as evidence could not be located for Government approval of expenditure limits and one project spent more than had been approved.

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

Number of claims and returns certified	
Total value of claims and returns certified	9
Number of claims and returns amended due to errors	5
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	3
Total cost of certification work	£71,412.84

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.

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	162,665	N	13	Y
Pooling of housing capital receipts	1,493	N	2	N
HRA subsidy	13,800	N	154	N
Housing finance base data return	n/a	N	n/a	N
National non-domestic rates return	154,908	N	2	Y
Teachers' pensions return	8,872	N	n/a	N
Sure start, early years and childcare grant and aiming high for disabled children grant	9,938	N	n/a	N
New deal for communities*	2,891	N	-61	Y

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)	Was a qualification letter issued?
Disabled facilities	459	n/a	N

* 2010/11 is the final year of New Deal for Communities grant funding.

In order for us to place reliance on the control environment and reduce auditor testing the following actions would be required:

- demonstrate a track record of no amendments or qualification on individual claims; and
- increase quality checking of claims prior to passing to audit, including independent checks on the eligibility of expenditure.

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
Improve the quality of working papers provided in support of the Teachers' Pension Grant Claim.	High	April 2011	Assistant Director (Human Resources) Finance & Corporate Services Department	Implemented	The Teachers Pensions working papers were improved this year, and there were no amendments or qualifications to the claim.
Improve the level of compliance with internal procedures when making housing benefit claimant assessments.	High	May 2011	Assistant Director (H&F Direct) – Finance & Corporate Services Department	Partially implemented	Increased quality checking has improved the quality of the housing benefits claim, but further work is required to ensure correct classification of overpayments.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation. A recommendation has not been made for the national non-domestic rates claim as the qualification is considered to be due to a one-off error. A recommendation has not been made for the new deals for communities claim as 2010/11 was the final year of the scheme.

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Client response	Date for implementation	Responsible officer
Introduce procedures to improve the accuracy of housing benefits overpayment classification.	High	At the start of this financial year (2011/12012) we carried out a comprehensive review of our quality checking procedures to identify how we could further reduce the instances of error and omission in the system. As a result of this review a revised quality checking procedure was introduced effective from April 2011. The new quality checking procedures have now been specifically designed to detect and correct financial errors for both new claims and changes in circumstances. In particular changes in circumstance, which result in overpayments, are checked to ensure dates, calculations and subsidy classifications are correct.	April 2011	Head of Assessments

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 level of 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
Grants planning and reporting	2,772.00	2,506.50	More detailed reporting requirements specified by the Audit Commission.
Housing and council tax benefit scheme	34,039.50	36,529.00	n/a
Pooling of housing capital receipts	5,982.02	5,395.50	Amendments required to the claim
HRA subsidy	2,254.00	2,415.00	n/a
Housing finance base data return	5,876.50	5,551.50	n/a
National non-domestic rates return	6,249.32	4,581.50	Less timely responses to audit queries
Teachers' pensions return	5,216.50	9,525.00	Improvement in quality of working papers
Sure start, early years and childcare grant and aiming high for disabled children grant	3,244.50	2,964.50	n/a
Disabled facilities	707.00	1,015.00	The audit was completed in less time.
New deal for communities	5,071.50	6,762.00	Final year of claim

Claim or return	2010/11 fee (£)	2009/10 fee (£)	Reasons for changes in fee greater than +/- 10 per cent
Single programme	0.00	4,651.50	No claims for 2010/11
Total	71,412.84	81,897.00	

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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.

