

Certification of Claims and Returns

Annual Report

Wyre Forest District Council

Audit 2008/09

February 2010



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Key messages

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 2008/09 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

- 1 Wyre Forest District Council makes three significant claims/returns that are subject to audit. 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 that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In 2008/09, my audit team certified three claims.
 - Housing benefits: £29m of benefit claimed.
 - NNDR: £25m contribution to the pool
 - Disabled facilities grants: over £0.7m spent, of which over £0.4 was funded by grant.
- 3 The fees I charged for grant certification work in 2008/09 were £29,000, the majority of which was in relation to the Housing Benefits claim.

Findings

- 4 Overall the Council's arrangements for claims are good. Working papers are of good standard and staff are supportive of the audit process. Recommendations for improvement made in the previous year had generally been acted upon.
- 5 We attached qualification letters to two of the claims and made changes to some of the entries on the benefits claim, although there was no overall change in the subsidy claimed. The specific issues are outlined later in this report, but are not of significant concern and do not indicate significant weakness in arrangements.

Certification fees

- 6 We are currently in discussion with your officers around how we can reduce fees for the benefits claim in particular, by working more closely with your officers.

Actions

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

Background

- 8 A significant proportion of the Council's income and expenditure has to be certified on claims/returns, much of this is then subject to audit. It is important that this process is properly managed. In particular this means:
- 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.
- 9 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 Wyre Forest District Council. I 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.
- 10 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 11 The key features of the current arrangements are as follows.
- For claims and returns below £100,000 the Commission does not make certification arrangements.
 - For claims and returns between £100,000 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 or not 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 of 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 that 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.

Findings

Control environment

- 12 We found the control environment around the claims to be generally good. However for the Non Domestic rates return we undertook additional testing for three reasons:
- The staff involved at the Council were new to preparing the claim due to departmental restructuring
 - There were no pre-existing procedure notes around preparation of the claim, these were developed by officers as part of this year's process
 - We issued a qualification letter on the previous year claim.

Specific claims

NNDR claim

- 13 The total contribution to the pool is adjusted for various items including an adjustment for bad and doubtful debts. The guidance states that:

'The provision for doubtful debts is judgemental, however authorities should be able to demonstrate that the total provision for doubtful debts is based on an analysis of the types of debtors outstanding and application of appropriate provisions'.

- 14 The Council calculated based only on the age of the debt rather than the type of debt. Whilst the impact of this is likely to be small relative to the total contribution, we are required to report non compliance with the instructions. This was a matter also reported on in the previous year.

NNDR claim recommendations	
R1	Continue to formalise working procedures around revenues and benefits.
R2	Calculate the provision for doubtful debts in line with the method specified.

Housing benefits

- 15 We had to undertake additional testing in only one area due to errors identified, which was a significant improvement on the previous year. We found that some documents had not been actioned in a timely manner and thus had a small impact on the benefit paid. This error was extrapolated and reported to the Department. We found that significant improvements had been made to departmental checking processes from the prior year.

- 16 We are currently discussing with your officers the scope for the Council to undertake additional work in relation to the claim, as a way of reducing external audit input into the claim and thus the fee. This involves staff not directly involved in assessing and processing benefits, undertaking some of the testing as outlined in our certification instruction. In other Councils, staff who have undertaken this are generally internal audit or fraud officers. We are currently discussing with your officers the scope for this at Wyre Forest.

Housing benefits recommendations

R3 Continue with existing data validation procedures.

R4 Consider the scope for Council staff to undertake additional work on the claim in order to reduce the external audit fee.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	29,289,738	Yes	Yes	No
NNDR	25,720,538	Yes	No	Yes
Disabled facilities grant	743,340	Yes	No	No

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Claims and Returns Report 2008/09 - Recommendations						
6	R1 Continue to formalise working procedures around revenues and benefits.	3	Head of revenues and benefits	Yes		
6	R2 Calculate the provision for doubtful debts in line with the method specified.	2	Head of revenues and benefits	Yes		
7	R3 Continue with existing data validation procedures.	3	Head of revenues and benefits	Yes		
7	R4 Consider the scope for Council staff to undertake additional work on the claim in order to reduce the external audit fee.	2	Head of revenues and benefits	Yes		

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