

Agenda Item No. 6

Our reference 2009/10 Certification of Claims Report

15 February 2011

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Dear David

2009/10 Certification of claims and returns report

Funding from government grant-paying departments is an important income stream for the Council. The grant-paying departments attach conditions to these grants. Each year the Council is required to submit specific claims or returns in return for funding showing that it has met these conditions. I am required by section 28 of the Audit Commission Act 1998 to certify some of these claims and returns for grants or subsidies paid by the government departments and public bodies to the Council.

In 2009/10 my audit team certified four claims with a total value of £62 million (in 2008/09 it was £55 million). Appendix 1 sets out a full summary of the claims certified. 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. The fees charged for grant certification work in 2009/10 were £22,449 (£29,870 in 2008/09). Appendix 2 sets out a summary of the costs for each claim and the reasons for any significant variances from the previous year. We have worked closely with the Council to reduce your fee this year in line with our overall approach to be efficient and effective in our work and support the Council in the cost savings it has to make.

The Council needs to manage the claiming of grant income carefully. If you cannot demonstrate that the conditions which are attached to these grants have been met then the funding may be at risk. In particular this means:

- providing 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.

Appendix 3 sets out the key features of the current certification arrangements. Maintaining a strong control environment, providing clear supporting working papers and responding promptly (where applicable) to audit queries helps us to complete our work in an efficient and effective manner, which minimises the fees that are charged. We take this into account when reviewing your claims. Our considerations includes the complexity and value of a claim, your systems of internal financial control, the quality of working papers and the experience of the staff compiling the claims.

We were required to assess the control environment for the National Agendas Item No. 6 return in 2009/10 and were able to rely on the control environment for this claim. This reduced the level of work we had to undertake.

Of the four claims that required certification, we carried out a limited review of three claims. For the Housing and Council Tax Benefits Scheme claim we were required to undertake a full review and issued a qualification letter to the grant-paying body due to a small number of errors across the various benefit types.

There were no amendments to the claim for the matters raised in the qualification letter. The Department of Work and Pensions may decide to investigate further the issues raised in our qualification letter for the Housing and Council Tax Benefits Scheme claim.

In 2008/09, we made four recommendations as to how the council could improve arrangements around the production of grant claims. We are pleased to note that these have all been addressed. We do not consider it necessary to make any recommendations following our 2009/10 work.

Last year we recommended that the Council should consider the scope for appropriate council officers to undertake some of the testing on our behalf (verified by us) for the housing benefits claim. We worked well with your officers and were able to reduce the time we spend on the claim. In line with your cost saving programme, you may wish to note that there is scope for this to be extended and thus to further reduce the fees.

We are pleased to report that officers responded promptly to our queries and accepted our findings and conclusions. We acknowledge the positive and constructive relationships with your staff.

Yours sincerely

Elizabeth Cave
District Auditor

Cc Zoe Thomas *Audit Manager*
Councillor Holden *Chair of the Audit & Governance Committee*

Appendix 1 – Summary of 2009/10 certified claims

Claims and returns above £500,000

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. (part A testing)

Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction (part B testing) 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.

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and Council Tax Benefits Scheme	36,075,877	Not required to be assessed	No	Yes
National Non-Domestic Rates return	24,794,011	Yes	No	No

Claims between £125,000 and £500,000

For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree from entries to underlying records, but do not undertake any testing of eligibility of expenditure.

Claim	Value £	Amended	Qualification letter
AWM: Stourport canal basin	476,061	No	No
Disabled Facilities	429,000	No	No

Claims below £125,000

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

Appendix 2 – Summary of grant claim costs

All claims

Claim	2009/10 Certification fee £	2008/09 Certification fee £	Explanation for variance
Housing and Council Tax Benefits Scheme	17,237	23,640	Reduction due to efficiencies in our approach and closer working with benefits staff.
National Non-Domestic Rates return	2,940	4,190	Reduction due to us only undertaking part A testing due to our assessment of the control environment. (note we are required to test part B once every 3 years to confirm our understanding of the control environment)
Disabled Facilities	550	2,040	Part A testing only in 2009/10
AWM: Stourport-on-Severn canal basin	1,317	n/a	not required to be audited in 2008/09
Reporting on grant claims	405	n/a	not separately reported in 2008/09
TOTALS	22,449	29,870	

Appendix 3 – Summary of current certification arrangements Agenda Item No. 6

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

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 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.