

Certification of claims and returns - annual report

Copeland Borough 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 demonstrate to its 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 my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

1 Copeland Borough Council receives more than £24 million funding from various grant paying departments. The Council is also responsible for collecting National Non-Domestic Rates (NNDR) of more than £24.7 million. 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, my audit team certified four claims with a total value of over £48.8 million. Of these, we carried out a limited review of two claims and a full review of two claims. (Paragraph 9 explains the difference). We amended two claims. We were unable to fully certify three claims and issued qualification letters to the grant-paying body. Appendix 1 sets out a full summary.

3 The fees I charged for grant certification work in 2009/10 were £34,209.

Significant findings

4 Single programme claims are the key area for improvement in the Council's arrangements for managing grants claims. The Council needs to submit the 2010/11 claims by 30 June 2011 deadline and ensure compliance with grant conditions.

Actions

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

Background

6 The Council claims more than £24 million for specific activities from grant paying departments. The Council is also responsible for collecting National Non Domestic Rates of more than £24.7 million. As this is significant to the Council's income 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.

7 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 Copeland 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.

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

9 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.

Findings

Control environment

10 We relied on the control environment for our work on the Phase 2 Phoenix Court Single Programme claim. The claim certification arrangements agreed with Department for Work and Pensions (DWP) do not allow us to rely on the control environment in certifying the housing benefit and council tax benefits claim. This means detailed testing must be done.

11 We did not rely on the control environment for the NNDR claim and had to undertake detailed testing. This was because of the high value and complexity of the claim, control weaknesses identified by Internal Audit and problems identified in our work on the 2008/09 claim.

Specific claims

12 For claims with significant amendments or qualification I set out below the findings and actions necessary to improve future performance.

Housing benefit and council tax benefit claim

13 For the housing benefit and council tax benefit claim we were required to test an initial sample of 48 individual cases for 2009/10. We found errors on rent allowances and modified schemes. The Council's staff performed 100 per cent testing on the specific issues in these areas and we were able to agree amendments to the claim.

14 System rounding differences of a £1 were found in the Non-HRA and Council tax benefit in-year reconciliations. We had to report this in our Qualification Letter to the Department for Works and Pensions (DWP).

Single programme claims

15 The Council submitted single programme claims to us for audit on 4 August 2010 and 16 September 2010. This is well after the deadline of 30 June 2010.

16 The Millom Swimming Pool claim was completed on the basis of expenditure incurred. However, the grant conditions require the claim to be completed on the basis of payments made during the year. A payment of £20,694 made on 8 April 2010 had been included in the claim wrongly because it was after the 31 March 2010 deadline.

17 For the Phase 2 Phoenix Court claim we were unable to confirm the details in Schedule 1A agreed to the latest offer letter / programme agreement from North West Development Agency (NWDA) for the approved funding for the lifetime of the project. We were also unable to agree NWDA funding specifically for 2009/10.

Recommendations

- R1** Ensure that all single programme claims are submitted for audit by the 30 June deadline.
 - R2** Ensure only payments made in the year are included in the relevant single programme claim.
 - R3** Continue to seek updated offer letter / programme agreement from NWDA for the approved funding for the lifetime of a project and the year of audit.
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Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £	Adequate control environment	Amended	Qualification letter
National Non Domestic Rates (NNDR)	24,733,094	No	No	No
Housing Benefit and Council Tax Benefit	23,536,288	N/A	Yes	Yes
Single Programme – Phase 2 Phoenix Court	473,754	Yes	No	Yes

Table 2: **Claims between £125,000 and £500,000**

Claim	Value £	Amended	Qualification letter
Single Programme – Millom Swimming Pool ⁱ	72,330	Yes	Yes

ⁱ This is the amount of grant claimed in 2009/10 for a claim spanning more than one year. The financial limits above relate to the amounts claimed over the life of the claim and testing is applied accordingly.

Appendix 2 Action Plan

Recommendations	
Recommendation 1	
Ensure that all single programme claims are submitted for audit by the 30 June deadline.	
Responsibility	Capital Accountant
Priority	High
Date	30 June 2011
Comments	Agreed
Recommendation 2	
Ensure only payments made in the year are included within the relevant single programme claim.	
Responsibility	Capital Accountant
Priority	High
Date	30 June 2011
Comments	Agreed
Recommendation 3	
Continue to seek updated offer letter / programme agreement from NWDA for the approved funding for the lifetime of a project and the year of audit.	
Responsibility	Capital Accountant
Priority	High
Date	May 2011
Comments	Agreed

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