

# Certification of claims and returns - annual report

Copeland Borough Council

Audit 2010/11



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# Introduction

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**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 preparing 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

**The Council performed adequately in preparing claims and returns but improvements to arrangements can be made.**

My work gave rise to amendment of two of the three claims and returns for the year ended 31 March 2011. I have issued two qualification letters accompanying my certificate on claims or returns.

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

Number of claims and returns certified	
Total value of claims and returns certified	£59,718,648
Number of claims and returns amended due to errors	2 out of 3
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	2 out of 3
Total cost of certification work	£39,080

I found one error that had a significant impact on the National non-domestic rates (NNDR) return but no material impact on the accounts. The Council can improve its arrangements for managing claims and returns by:

- improving the accuracy of the work of benefits assessors to minimise the under or overpayment of benefit;
- providing suitable and accurate evidence to support benefit claims for homelessness and only paying benefit when all supporting evidence obtained;
- treating uncashed housing benefit and council tax benefit cheques correctly on the system and therefore in the claim; and
- considering the most up to date position on large and long standing debt when calculating the NNDR bad debt provision.

# 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 outlines the minor changes to the Housing and Council Tax Benefit claim and the significant change to the National non-domestic rates return. It also identifies the issues raised in the three qualifications letters.

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	Was a qualification letter issued?
Housing and council tax benefit scheme	24,571	N/A – certification arrangements agreed with the Department of Work and Pensions (DWP) do not allow me to rely on the control environment in certifying this claim. I am required to complete detailed testing.	£340	Yes – see explanation provided below.

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
National non-domestic rates return	35,311	No – delays identified in processing amendments on the Valuation Office Listing on the NNDR Academy system. Delays in reconciling the Valuation Office Listing to the NNDR Academy system and reconciling NNDR income on the NNDR Academy system to the Total General Ledger. These have weakened the control environment.	(£198,648) – see explanation provided below.	No
Single programme – Phase 2 Phoenix Court, Cleator Moor*	35	Yes	N/A	Yes – lack of supporting evidence for grant approved in 2010/11. Also issue on confirmation of overall lifetime funding for project.

\* Grant claimed in 2010/11 for a claim spanning more than one year. The financial limits above are the amounts claimed over the life of the claim and testing is applied accordingly.

The Council did not make any other claims with a value between £125,000 and £500,000, which required certification by the Audit Commission.

## Specific claims

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

For the housing benefit and council tax benefit claim I tested an initial sample of 53 individual cases for 2010/11 taken from across the four headline cells. Where errors are identified in the initial sample we must test another sample of 40 cases for the error identified. Errors in the initial sample of cases meant I needed to undertake extra testing in three areas. I identified issues on uncashed cheques as a result of assessors sometimes using the wrong procedure to cancel them on the system. I also identified issues on modified schemes. More work was required to assess the impact on the claim. We did not need to do extra testing in 2009/10 but this was required for 2010/11. Revenues and Benefits Shared Service staff did some of the additional testing and we confirmed the findings by undertaking some re-performance. However, they did not have resources available to undertake all the extra testing so it was undertaken by my staff, contributing to the increased fee.

Benefit should only be paid when all supporting evidence has been obtained. I also found issues where benefit was paid for homelessness cases where there was inadequate evidence on file to support the figures used in the assessment. During the audit the Council's Housing Options team spent a significant amount of time locating this information. Many of the errors outlined below on non HRA Rent Rebates could have been avoided if this information had been provided to the benefits assessors prior to them making the assessment. As the Council pays for the homelessness accommodation any underpayment of benefit in these cases is a loss of income to the Council.

I issued a qualification letter on the housing benefit and council tax benefit claim because of errors in the initial sample and to report the outcome of additional testing of individual cases. Additional testing related to non HRA Rent Rebates and Council Tax.

My work identified errors where assessors for non HRA Rent Rebates:

- failed to uplift rent levels in April 2010 used in the calculation of entitlement leading to an underpayment of benefit;
- failed to amend weekly rent when a claimant moved to a new address with a different rent level leading to an overpayment of benefit;
- used the nightly rate for bed and breakfast as a weekly amount in the assessment leading to underpayment of benefit;
- paid benefit with insufficient evidence on file to support assessment and when obtained clearly shows benefits underpaid; and
- used both the wrong nightly rate for bed and breakfast accommodation for the homeless, and the wrong number of nights stayed, leading to an underpayment of benefit.



My work identified errors for Council Tax:

- where incorrect assessments were made because of miscalculations in claimants weekly earnings caused by errors made by assessors when entering payslip details in to the system. This caused cases of under and overpayment of benefit.

The Council needs to take action to improve the accuracy of the work of benefits assessors to minimise the under or overpayment of benefit.

### **National non-domestic rate return (NNDR)**

During our work on final accounts we identified a large NNDR debt of £332,397 for a company that had gone into liquidation. This raised concerns about the recovery of this debt. In calculating its original bad debt provision for NNDR the Council used a bad debt provision of 10 per cent for the £332,397 but increased it to 70 per cent. The impact of this was to increase the NNDR bad debt provision by £198,648 and therefore reducing the NNDR Payment to the Pool by the same amount.

When calculating the NNDR bad debt provision greater consideration should be given to the most up to date position on large and long standing debt.

# Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

The Council implemented the recommendations in our 2009/10 report.

Table 3: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Current status	Comments
Ensure that all single programme claims are submitted for audit by the 30 June deadline	High	30 June 2011	Implemented.	
Ensure only payments made in the year are included within the relevant single programme claim.	High	30 June 2011	Implemented.	
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.	High	May 2011	Implemented	The Council sought updated offer letters from NWDA but NWDA did not provide them.

# Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Improve the accuracy of the work of benefits assessors to minimise the under or overpayment of benefit.	High	Discussions are ongoing within the shared service to agree a way forward to improve the level of accuracy / checks.	March 2012	Corporate Director – Resources and Transformation
		A full time Quality Officer post within the Performance Team has been advertised whose remit includes checking of assessments and quality checking subsidy cell data.	30 April 2012	Performance Manager Benefits Manager
Ensure the Council's Housing Options team supply suitable and accurate supporting evidence for benefits claims for the homeless.	High	Action has been taken to ensure supporting evidence is received.	Implemented	Housing Policy Manager
Ensure benefit only paid when all supporting evidence has been obtained	High	An instruction has been given that no benefit is to be paid until supporting evidence is received.	Implemented	Benefits Manager

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Ensure treatment of uncashed housing benefit and council tax benefit cheques is correct on the system and therefore in the claim.	High	Revised procedure regarding the processing of uncashed cheques circulated to relevant staff on 10 November 2011; also 100% subsidy checking will be carried out on this cell by 30 April 2012.	Implemented	Performance Manager
Consider the most up to date position on large and long standing debt when calculating the NNDR bad debt provision.	High	Recommendation agreed.	31 March 2012	Revenues Manager

# 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 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing benefit and council tax benefit	28,451	21,856	No errors in 2009/10 but several errors in 2010/11 meaning that 40+ testing required. More work on uncashed cheques and modified schemes. Some of the extra testing was undertaken by my staff as resources not available from the Revenues and Benefits Shared Service. More time spent on qualification letter in 2010/11 because of number of issues that required reporting to DWP.
National non-domestic rates return	6,495	6,118	
Single programme	1,793	4,615	Only one claim this year whereas three claims in 2009/10.
Grants administration and Annual report	2,341	1,620	More reporting required on issues on Housing benefit and council tax benefit claim. More time spent clarifying which single programme claims expected.
Total	39,080	34,209	

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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.

