

Certification of claims and returns - annual report

South Somerset District Council

Audit 2010/11



Contents

- Introduction.....3
- Summary of 2010/11 certification work4
- Results of 2010/11 certification work.....5
- Summary of progress on previous recommendations9
- Summary of recommendations11
- Summary of certification fees13

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 2010/11 certification work

My work gave rise to amendment of two of the three claims and returns for the year ended 31 March 2011 that the Council was required to submit for certification. In one case I issued a qualification letter accompanying my certificate on a claim or return. A summary 2010/11 certification work is set out in the following table.

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

Number of claims and returns certified	
Total number of claims and returns certified	3
Total value of claims and returns certified	£86,729,975
Number of claims and returns amended due to errors	2
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	1
Total cost of certification work	£28,387

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.

The results of my 2010/11 certification work are summarised in table 2 and table 3.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£50,425,200	N/A HB Count audit approach followed	£-1,244	Yes
National non-domestic rates return	£35,933,775	Yes	£-306,100	No

The following summarises the issues that have arisen from the certification work.

Housing and council tax benefit scheme

The certification instruction is issued by the Audit Commission with the agreement of the relevant paying department (in this case the Department for Work and Pensions). It sets out the number of benefit cases that we are required to test in our initial sample. For South Somerset District Council the initial sample was 60 cases.

The certification instruction also prescribes additional testing when errors have been found in the initial sample or when errors found in previous years audit testing suggest a high risk of error in the current year. I found errors in the initial samples and an additional 155 cases were tested by the Council.

The additional sample for testing was passed to the Council to complete; and I reviewed its work and agreed with its findings.

The following issues were identified from the audit.

- Incorrect calculation of claimants' weekly earned income resulting in five claimants being overpaid, 8 claimants being underpaid and for a further five claimants, benefit paid had been incorrectly classified as an overpayments (under/overpayments ranged from £0.12 - £213 for any individual claimant).
- Incorrect input of deductions for fuel and heating for Non HRA Rent Rebate claims resulting in 1 claimant being underpaid £7 and 1 claimant being overpaid £6.
- Incorrect classification of Non HRA Rent Rebate between expenditure up to and including the cap and above cap, due to a housing benefit software error, resulting in a reduction in subsidy due to the council of £210.
- Incorrect classification of 1 Modified Scheme claim. For one case income from a Service Attributable Pension had been flagged 'for information only' and excluded from the benefit calculation. This income should have been included in the benefit calculation and disregarded under the modified scheme rules. Impact on this error was to overstate subsidy.

This year as a result of the issues identified the claim was amended by the Council and a qualification letter issued to the grant paying department. A qualification letter has been issued for the past three years. To put this into context, this is a highly complex claim, and a large number of qualification letters are issued by auditors annually on the benefit claim.

The claim was amended by £1,244, increasing the amount the Council owes to the Department for Work and Pensions.

Recommendations

- R1** Deliver a training update to housing benefit assessors covering the calculation of weekly earned income based on payslip data.
- R2** Review a sample of 2011/12 benefit payments based on weekly earned income.
- R3** Review a sample of 2011/12 Non HRA Rent rebate claims for correct fuel and heating deductions and accuracy of classification of expenditure up to and including the cap and above cap.
- R4** Review the housing benefit system for income inappropriately flagged 'for information only'.

National non-domestic rates return

It was identified during my review that the figures for preparing the NNDR3 return, that the return included an incorrect figure for yield lost in respect of bad debts written off and doubtful debts for which provision should be made.

The claim was amended by £306,100 reducing the amount payable by the Council to the National Pool by the same amount.

The claim was certified without qualification

Recommendation

- R5** Carry out a reasonableness check on the bad debt provision in the NNDR3 return by comparing with the previous year and by checking consistency with underlying records.

Table 3: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification	Value of any amendments made	Qualification letter
Disabled facilities	£371,000	Nil	No

Disabled facilities

My review identified no issues and was certified without amendment or qualification.

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 has implemented all of the recommendations I have previously made arising from certification work. The findings are shown in the following table.

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
R1 The Council should check that there are no inconsistencies between numbers in household of council tax benefit claimants and awards of single person discounts. The Council can generate these reports and review them on a quarterly basis.	Medium	31 December 2010	Revenues & Benefits Manager	Implemented	Reports are now run and correction made on a weekly basis.

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
R2 The Council should generate reports (on a quarterly basis) to identify and amend any incorrect deductions from board and lodging charges	Medium	February 2011	Revenues & Benefits Manager	Implemented	The reports form part of the Council's ongoing subsidy monitoring work.
R3 The Council should review benefit payment run reports and check any unexpectedly large payments for errors resulting in overpayments.	Medium	14 January 2011	Revenues & Benefits Manager	Implemented	
R4 The Council should provide briefings to staff on backdate rules for board and lodging cases.	Medium	January 2011	Revenues & Benefits Manager	Implemented	

Summary of recommendations

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

Recommendations arising from 2010/11 certification work are set out and prioritised in the following table. For each recommendation an action has been agreed together with an implementation date and a responsible officer has been identified.

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

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
R1 Deliver training update to housing benefit assessors covering the calculation of weekly earned income based on payslip data.	High	Have already alerted team to the detail of the issue found by the audit. Follow up training planned for all Benefit Officers.	Training date is 9 February 2012	Lynne Joyce Mandy Stewart
R2 Review a sample of 2011/12 benefit payments based on weekly earned income.	High	Sample to be checked through daily quality checking programme. Earnings to be checked, where applicable, on all cases reviewed as part of ongoing subsidy monitoring	9 January 2012	Melissa Rogers Kim Arthur
R3 Review a sample of 2011/12 Non HRA Rent rebate claims for correct fuel and heating deductions and accuracy of classification of expenditure up to and including the cap and above cap.	Medium	Sample check already in progress. Classification of expenditure is a software issue. Supplier fix to be tested	In progress 31 March 2012	Kim Arthur Kim Arthur

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
R4 Review the housing benefit system for income inappropriately flagged 'for information only'.	High	One hundred per cent check to be carried out on the income type identified in audit plus a sample check of all other relevant income types	31 January 2012	Kim Arthur
R5 Carry out a reasonableness check on the bad debt provision in the NNDR3 return by comparing with the previous year and by checking consistency with underlying records.	Medium	Reconciliation of NNDR3 with Collection Fund Account as per statement of Accounts	June 2012	Amanda Card Karen Case

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
Housing and council tax benefit scheme	£26,079	£28,970	Included in the fee for 2009/10 was additional work to answer the requests from the Department of Work and Pensions regarding the qualification of the 2008/09 claim.
National non-domestic rates return	£ 1,560	£ 1,942	In 2010/11 the Council provided the all supporting prints from the NNDR system at the beginning of the audit. In 2009/10 the Council had to contact the software supplier for advice.
Disabled facilities	£ 365	£ 392	
Grants planning and reporting	£ 383	£ 390	
Total	£28,387	£31,694	

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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.

