

## AUDIT COMMITTEE

24 MARCH 2011

### REPORT OF HEAD OF FINANCIAL SERVICES

#### A.5 AUDIT COMMISSION REPORT – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

##### **PURPOSE OF THE REPORT**

To present the Audit Commission's certification of claims and returns annual report 2009/10.

##### **EXECUTIVE SUMMARY**

A number of claims and returns made by the Council were subject to audit by the Audit Commission in accordance with the terms of the grant or subsidy.

The Audit Commission's detailed report is attached which sets out a number of positive outcomes from the audit work undertaken. However two claims were qualified, although one related to a relatively minor issue in the context of the overall Housing and Council Tax Benefit claim and the other due to the need to clarify the status of guidance as contradictory information accompanied the claim.

##### **RECOMMENDATIONS**

**That the Committee considers and notes the Audit Commission's certification of claims and returns annual report.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

The aim of continuing to be financially stable and well managed and provide good value for money is directly supported through learning and improving through audit and inspection. This requires proportionate responses to recommendations and opportunities for improvement identified by the Audit Commission each year.

##### **FINANCE, OTHER RESOURCES AND RISK**

###### **Finance and other resources**

There are no direct financial implications arising from this report.

###### **Risk**

If proportionate and practical responses to recommendations made by the Audit Commissions are not fully considered then there is the risk that errors or incorrect claims are made in the future which could have an adverse impact on the Council's reputation and standing in addition to any potential financial loss.

## **LEGAL**

There are no direct legal implications associated with this report.

## **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

There are no direct implications.

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND AND OUTCOMES FROM THE AUDIT COMMISSION'S WORK**

The Council is responsible for completing, certifying and submitting the required claims and returns in accordance with the instructions and timescales issued by the relevant government department or body.

The Audit Commission are required to make appropriate certification arrangements for various claims and returns based on their value. The Audit Commission's report setting out the outcomes from the audit work they have undertaken is attached.

A summary of the key outcomes from the Audit Commission's annual report is set out below:

- Few reporting issues were identified reflecting a good standard of compilation and presentation.
- The fees charged are within the indicative fee originally planned by the Audit Commission.
- For all claims and returns, the Audit Commission were able to place reliance on the control environment.

Two claims were qualified with further information provided below:

#### **Housing and Council Tax Benefit Subsidy**

As highlighted in the attached report, the Benefits and Revenues Service took a pragmatic approach to the situation identified by two cases where an uplift to pensions was not made when assessing the claim for benefit. If the adjustment had been made then the amount of benefit awarded to the claimants would have been lower. The amendment to the system would effectively generate a large number of small over payments across all relevant claims. However on balance it was felt that the cost of recovering the associated overpayment along with the impact on the pensioners concerned outweighed the small reduction in benefits awarded. The reduction in the amount of benefit awarded in respect of the error identified would have totalled approximately £1,800 which is relatively minor compared to the total benefits paid of over £60million during the year.

Although the Council decided not to backdate the uplifts to pensions, the claim for subsidy from the Department of Works and Pensions was amended to reflect this issue.

The attached report also refers to the fact that it is common for this claim to result in a qualified audit report. It is worth noting that this is on a national basis rather than specifically referring to this Council.

### **Housing Subsidy base Data Return**

This claim was qualified due to the need to clarify the status of guidance as contradictory information accompanied the claim.

The issue revolved around a formula rent figure that is used in the calculation of Housing rents each year. A spreadsheet is provided by the Department of Communities and Local Government that requires information to be provided at a property by property level on an annual basis. This is in contrast to a corresponding figure that is calculated by applying an uplift to the previous years formula rent that is provided as part of the overall subsidy determinations each year.

In respect of the claim made by the Council, the figure from the supplied spreadsheet was used rather than the alternative figure calculated within the subsidy determinations. There is no overall impact on the Council's financial position with the issue now formally clarified via the final subsidy determinations issued by the Government for the year.

As part of the Housing Self Financing reforms expected to be implemented from April 2012 as part of the Localism Bill, it is assumed that housing subsidy claims will no longer be necessary from 2012/13 onwards.

### **BACKGROUND PAPERS FOR THE DECISION**

None

### **APPENDICES**

The Audit Commission's Certification of Claims and Returns – Annual Report 2009/10