

## AUDIT COMMITTEE

22 MARCH 2012

### REPORT OF HEAD OF RESOURCE MANAGEMENT

#### 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 2010/11.

##### **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. Two claims were qualified, although there has been no significant direct impact on the associated level of grant funding or any additional implications arising through action of the related Government department.

##### **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.
- There were no issues arising that are expected to have a significant impact on the amount of the claim or return, nor any indications of a material impact upon the accounts of the Council.

Two claims were qualified with further information provided below:

#### **Housing Finance Base Data Return**

As part of the outgoing subsidy arrangements, the Council has historically provided information on its property types. Each year the information is subject to review based on events in that particular year so the approach is based on updating information that has previously been submitted and accepted by the Government department. In moving to the new self financing arrangements from April 2012, the Government asked for a 'reset' in terms of validating the property data that they have held for many years. Unfortunately this historic data is not available resulting in the Audit Commission highlighting this issue to the relevant Government department via a qualification to the claim. It is understood that many other Local Authorities were in this position nationally. There has been no direct impact from this qualification, with the Council moving to the new self financing regime with the Council's property types remaining valid as part of the determination of the related settlement figures.

#### **Flood and Coastal Erosion Management.**

The general grant conditions require that any variation to work is formally approved by the Environment Agency before being submitted on the associated claim. Inherent in the management of such significant projects is the practical need to progress the work associated with the variation order rather than hold up the project. However it is acknowledged that there

is a need to balance this with any grant requirements.

The necessary variations orders have subsequently been submitted and there has been no impact on the level of grant receivable. In future practical steps will be put in place to ensure a balance between the timely submission of variation orders and the effective delivery of the works.

**BACKGROUND PAPERS FOR THE DECISION**

None

**APPENDICES**

The Audit Commission's Certification of Claims and Returns – Annual Report 2010/11

# Certification of claims and returns - annual report

Tendring District 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 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 my 2010/11 certification work

The work undertaken on the claims and returns for Tendring District Council in 2010/11 shows similar low levels of amendments and qualifications required, and a fall in related costs despite an increase in the number of claims and returns certified.

Table 1: Summary of 2010/11 certification work

<b>Number of claims and returns certified</b>	
Total value of claims and returns certified	7
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	2
Total cost of certification work	<b>£52,126</b>

There were no issues arising from our certification work that are expected to have a significant impact on the amount of a claim or return nor any indications of a material impact upon the accounts of the Council.

# 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: 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	72,127	Yes	Amendments to rent rebate disclosures: £581 reduction in expenditure up to and including the cap (cell 12) and £316 increase in expenditure above the cap (cell 13). £133 increase in LA errors and administration delay overpayments (cell 26) and in eligible overpayments (cell 28).	No
HRA subsidy	1,912	Yes	£8,195,137 amendment made to opening HRA capital financing requirement 2010/11 disclosed.	No



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 finance base data return	N/a	No	No amendments	Yes The Council was unable to provide an audit trail to support the split of usable floor areas of pre-1945 and 1945-1964 terrace houses between 'large' and 'small' disclosed.
National non-domestic rates return	20,510	Yes	No amendments	No
Disabled facilities	584	Yes	No amendments	No
Flood and coastal erosion management	1,453	No	No adjustments	Yes Some variations were identified which were above 10 per cent or £10,000 but which had not been approved prior to completion of the final claim.

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

<b>Claim or return</b>	<b>Value of claim or return presented for certification (£'000)</b>	<b>Value of any amendments made</b>	<b>Qualification letter</b>
Pooling of housing capital receipts	367	No amendments	No

# 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 4: 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	36,133	42,093	The fee has not changed by more than 10 per cent in total, although some individual fees have. The flood and coastal erosion claims are audited as presented, and there was no equivalent claim in 2009/10. The housing and council tax benefit claim fee varies year on year depending on the complexity of individual cases selected in random sample testing whilst the Housing Finance base data increase resulted from the additional testing required to satisfy the certification instructions in 2010/11.
Pooling of housing capital receipts	1,699	1,395	
HRA subsidy	1,677	2,437	
Housing finance base data return	5,866	3,776	
National non-domestic rates return	2,990	2,249	
Disabled facilities	1,261	1,149	
Flood and coastal erosion management	2,500*	0	
<b>Total</b>	<b>52,126</b>	<b>53,099</b>	

\* Estimated fees to completion based on £1,988 actual costs to end of January 2011.

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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.

