

# Certification of claims and returns - annual report

Bath & North East Somerset 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. I assessed the control environment for preparing the claim or return to decide whether 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 has performed well in preparing claims and returns.

My work gave rise to minor amendment of three of the five claims and returns submitted for the year ended 31 March 2011. For two claims and returns I issued a qualification letter accompanying my certificate. The qualification letters were for relatively minor issues.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£128,032,895
Number of claims and returns amended due to errors	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
Total cost of certification work	£37,824

# 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 officers completing the Council's grant claims and returns are experienced, have a detailed knowledge of the claim and generally produce a good standard of working papers. They respond to requests for information in a timely and positive manner. These good arrangements ensured the net impact of the audit amendments were low in value.

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 (£'000)	Was a qualification letter issued?
Housing and council tax benefit scheme	57,615	Limited Assurance	2	Yes (see below)
National non-domestic rates return	52,913	Limited Assurance	0	No
Teachers' pensions return	10,771	No	0 (amendment made but no impact on value claimed)	Yes (see 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 (£'000)	Was a qualification letter issued?
Sure start, early years and childcare grant and aiming high for disabled children grant	6,312	Yes	6	No

### Housing and Council Tax Benefit Subsidy Claim

I assessed the control environment as effective. The grant paying department, however, still requires that I undertake detailed testing of this claim because of its complexity and value.

My testing of samples of benefits transactions identified several cases where benefits assessors had recorded information from the supporting evidence on to the Benefits system incorrectly. I tested more transactions to enable us to quantify extrapolated errors on the claim.

I quantified and agreed an audit amendment relating to the assessment of eligible rent for Non-HRA rent rebates.

I raised a qualification letter, which reported some relatively minor uncertainties arising from incorrect calculation of rent allowance and council tax benefits.

### Teachers Pensions (TP) Return

I was not able to place reliance on the control environment around the return. This was because of errors noted on the previous year's returns. I therefore undertook full audit testing in line with the requirements of the relevant certification instruction.

While the Council holds overall responsibility for the return, responsibility for preparing the return lies with the payroll provider, Mouchel. This is monitored by the 'client' department, Human Resources.

The draft claim was sent to TP and to audit by the deadline of 30 June 2011. I recognise significant improvements in preparing the claim, but as in previous years there remains no evidence of review by the 'client side, Human Resources, before presenting the claim to the Chief Financial Officer.

In 2009/10 I agreed the Council's management would liaise with their Internal Audit team to ensure that they undertook a suitable programme of testing for 2010/11 to gain assurance over the completeness and accuracy of individual deductions, in respect of schools that have outsourced their payroll from the Authority.

Internal audit identified additional contributions being made using incorrect rates of deduction since 2006 and possibly longer. These were for small amounts. I reported the matter in a qualification letter as I was unable to quantify the error within the audit timescale.

Claims between £125,000 and £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Disabled facilities	422	0	No

# Summary of progress on previous recommendations

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

In 2009/10 I raised two recommendations. The Council has made good progress in implementing these recommendations.

Table 3: 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
Officers should present all grant claims for audit by the deadline set by the government department. Managers of those responsible for submitting grant claims should monitor progress to ensure claims are adequately prepared.	M	2010/11 Claims	Tony Bartlett	Implemented	All 2010/11 claims submitted in accordance with deadlines.
Finance officers should monitor to ensure Mouchel and Human Resources take adequate action to address the issues set out in our action plan in relation to the Teachers Pensions Return.	M	January 2011	Tony Bartlett	Partially Implemented	Recognise significant improvements in preparing the 2010/11 return. Scope to improve further, specifically on the 'client' side.

# Summary of recommendations

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

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

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Continue to take action to address the issues raised in the 2009/10 action plan in relation to the Teachers Pensions Return.	M		Ongoing	William Harding

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# Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work.

Table 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Comment
Housing and council tax benefit scheme	26,854	40,231	Decrease in fee reflects the grade mix used in carrying out the work and joint working with the Authority.
National non-domestic rates return	5,012	3,973	
Teachers' pensions return	4,648	4,416	
Sure start, early years and childcare grant and aiming high for disabled children grant	686	1,870	Reduction in fee reflects reliance placed on control environment in 2010/11 resulting in less work being carried out in accordance with certification instructions.
Disabled facilities	624	603	
Total	37,824	51,093	

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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.

