

EXTERNAL AUDIT - GRANT CLAIMS REPORT

Corporate Director (Resources)

1 Purpose

- 1.1 To receive a report from the External Auditors on their work associated with the certification of grant claims submitted by AVDC.

2 Recommendations/for decision

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| 2.1 The Committee is asked to note the contents of the External Auditors' report. |
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3 Supporting information

- 3.1 In September 2009 the Audit Commission published a document "Review of Arrangements for Certifying Claims and Returns." This made a number of recommendations for the future, including one that requires the External Auditors to present an annual report to those charged with governance on the results of their certification work.
- 3.2 The External Audit report attached as Appendix A is the first such annual report to be presented to AVDC's Audit Committee.
- 3.3 The External Auditors are required to certify four claims made by AVDC. These are:

BEN01 - housing benefits

CFB06 - pooled housing receipts

HOU21 - disabled facilities

LA01 - NNDR return
- 3.4 This annual report ensures that those charged with governance are aware of the number and value of adjustments and qualifications made to claims and returns submitted by the Council as a consequence of the External Auditors' review.
- 3.5 The report will also raise any relevant issues arising from the certification work so that these can be discussed by the Audit Committee.
- 3.6 The Audit Commission hopes that the presentation of this report will underline the importance of the External Audit certification work and ultimately lead to improvements in the performance of all local authorities in preparing claims and returns.
- 3.7 The Audit Commission will also be publishing an annual national report to raise the profile of certification and raise any general concerns about certification work with key stakeholders.

4 Reasons for Recommendation

- 4.1 This report is part of the independent External Audit process. The Audit Committee role includes receipt and consideration of all reports produced by the External Auditors which are directed to those charged with governance at AVDC.

5 Resource implications

- 5.1 None.

6 Response to Key Aims and Objectives

- 6.1 The External Audit review process underpins the Council's own performance management framework which is designed to ensure optimum delivery of the key aims and outcomes.

Contact Officer
Background Documents

Val Hinkins 01296 585343
Audit Committee papers 2009_10

Certification of claims and returns - annual report

Aylesbury Vale District Council

Audit 2008/09

January 2010

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Key messages

Funding from government grant-paying departments is an important income stream for Aylesbury Vale District Council (the Council). The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants.

This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

- 1 Aylesbury Vale District Council receives more than £40m funding from various grant-paying departments. The grant-paying departments attach conditions to these grants. The Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In addition, the Council collects business rates to pay into the national pool, from which the Council then receives grant funding. The amount payable to the pool of £44m is also subject to certification.
- 3 In 2008/09, my audit team certified four claims with a total value of £84 million. Of these, we carried out a limited review of two claims and a full review of two claims. (Paragraph 10 explains the difference). We amended two claims after limited review. For the claims requiring full certification, we issued a qualification letter to the grant-paying body on the housing and council tax benefit claim. However, this is not a significant issue and the Council has addressed the specific area in 2009/10. Appendix 1 sets out a full summary.

Significant findings

- 4 There are no significant findings arising from our work.

Certification fees

- 5 The fees I charged for grant certification work in 2008/09 were £29,686. The majority of this fee (£24,067) related to certification of the housing benefit claim.

Actions

- 6 There are no recommendations as a result of our work.

Background

- 7 The Council claims £40.3m for specific activities from grant paying departments (disclosed in note 39 of the 2008/09 audited financial statements). It also collects business rates (NNDR) on behalf of the Government of £44m which it pays into the national pool. As this is significant to the Council's income and expenditure it is important that this process is properly managed. In particular this means:
 - an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 8 I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Aylesbury Vale District Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 9 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 10 The key features of the current arrangements are as follows:
 - For claims and returns below £100,000 the Commission does not make certification arrangements;
 - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure;
 - For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong;
 - For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Findings

Control environment

- 11 Our review of the control environment for the two biggest claims we are required to certify, housing benefits and NNDR, identified these as adequate. Although we issued a qualification letter on the housing benefits claim, we do not have concerns over the control environment within the systems generating the figures for the claims.

Specific claims

- 12 There were no adjustments made to the NNDR claim and the amount payable to the pool of £44m was certified without qualification.
- 13 For the housing and council tax benefit claim, we were required to issue a qualification letter on a specific area around modified schemes. Our work on the 2007/08 claim identified that the Council did not take into account the £10 disregard for war pensions when calculating subsidy. Subsidy was therefore being under-claimed in some cases. The Council planned to carry out a comprehensive exercise during 2008/09 to identify and correct all affected cases for all years but this was still in progress at the time of our work. The exercise has now been completed.
- 14 Total expenditure on the relevant area was £85,350 (out of a total expenditure of £35.1million) and our sample testing identified an error rate of 3.3%. Subsequent analysis by the Council of all the claims indicates a potential under-claiming of subsidy of around £13,000. Although the agreed approach with the Department for Work and Pensions required qualification of the claim, this is not a significant issue and there has been no loss of benefit to individual claimants.
- 15 There was one adjustment to the claim for disabled facility grants. Our review identified that expenditure was not split correctly between 2008/09 and prior years so that the amount of prior year expenditure was overstated. The amount to be returned to the government department was changed from £0 to £8,111.
- 16 For the claim for the pooling of housing capital receipts our review led to a minor amendment increasing the claim by £267.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	35,090,869	Yes	Yes	Yes (on technical point only)
Business Rates (NDR)	43,732,417	Yes	No	No

Claims between £100,000 and £500,000

Claim	Value £	Amended
Disabled facilities grant	315,889	Yes (by -£8,111)
Pooling of housing capital receipts	102,373	Yes (by +£267)

Appendix 2 – Housing Benefit Qualification Letter

Department for Work and Pensions
Housing Benefits Unit
Room 512
Norcross
BLACKPOOL
FY5 3TA

Dear Sir / Madam

Aylesbury Vale District Council
Housing Benefit & Council Tax Benefit claim for the year ended 31 March
2009 (Form MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated
2 October 2009

Details of the matters giving rise to my qualification of the above claim are set out in the Appendix to this letter.

The factual content of my qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

Michael Yeats
Audit Manager

Appendix 2 – Housing Benefit Qualification Letter

Cell 231: Total Local Scheme

Cell 231: cell total £ 85,350

Cell 231: cell population 75

Headline cell 231: £85,350

As with our work on the 2007/08 claim, our initial sample testing identified that the Authority are failing to take account of the £10 disregard for war pensions when calculating subsidy. This failure affects all cases where war pensions have been granted and also affects previous years' claims.

The failure has led to an overstatement of the local scheme cells and an understatement of the other subsidy cells. The Authority had planned to carry out a comprehensive exercise in 2008/09 to identify and correct all affected cases for all affected years; our work has identified that this is still in progress.

Given the extent of the error and that it affects prior years, we have not carried out additional testing. Extrapolating from the initial sample gives the following estimate of the problem in 2008/09:

Results of testing:

Testing and sample size	Cell Total	Sample Error	Sample Value	% error rate	Cell Adjustment	Revised Cell Total if Cell Adjustment applied
	[CT]	[SE]	[SV]	[SE/SV]	[CA = CT times SE/SV]	[CT less CA]
Initial sample - 6 cases	£ 85,350	£212	£6,333	3.34	£2,851	£82,499

The Audit Commission

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As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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