

# Certification of Claims and Returns - Annual Report

Brighton and Hove City Council

Audit 2008/09

February 2010



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
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# Key messages

**Funding from government grant-paying departments is an important income stream for 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.**

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## Certification of claims

- 1 Brighton & Hove City Council receives more than £270 million of funding from various grant-paying departments which 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 2008/09, we certified nine claims with a total value of £270 million. Of these we amended two claims to correct errors. A further three claims were subject to qualification. Where we qualify a claim we set out the issues arising in a qualification letter to the grant-paying body. Appendix 1 sets out a full summary of the claims certified in the year

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## Significant findings

- 3 In general the Council has established a good control environment for its grant claims and deals well with the complexities inherent in some schemes. Claims based on significant financial systems, such as National Non-Domestic Rates (NNDR) and Housing and Council Tax Benefit have particularly strong control environments.

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## Certification fees

- 4 The certification fees charged for grant certification work in 2008/09 were £63,757.

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## Actions

- 5 We have not made any recommendations as a result of this report.

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# Background

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- 6 The Council claims £270 million for specific activities from grant-paying departments. As this is significant to the Council's income 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.
- 7 We are 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 Brighton & Hove City Council. We 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.
- 8 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 9 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, other than the Housing and Council Tax Benefit claim, 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 the Housing and Council Tax Benefit claim we are required by the Department of Work and Pensions (DWP) to undertake a minimum level of detailed testing regardless of our assessment of the general control environment.
  - For claims spanning 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

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## Control environment

- 10** Our assessment of the control environment for each of the claims or returns certified includes:
- consideration of the expertise and continuity of staff responsible for compiling claims, review of issues arising in previous years;
  - complexity of the scheme and volume of transactions;
  - the quality of associated working papers; and
  - the general arrangements in place for identifying eligible expenditure and operating the schemes in accordance with the detailed guidance applicable to them.
- 11** In most cases we assessed the control environment as medium risk due mainly to changes in staffing or the inherent complexity of the particular scheme. We assessed the NNDR and the Housing and Council Tax Benefit claims as having strong control environments.

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## Specific claims

### Disabled Facilities Grant

- 12** We noted two errors in this claim.
- Our audit work revealed that expenditure with a building contractor amounting to approximately £5,000 was duplicated within the claim. Following discussions with the officers responsible we did not request an amendment to the claim as this error has been adjusted within 2009/10. We did, however issue a qualification letter advising the Department for Communities and Local Government (CLG) of the error and that it had been corrected.
  - We also noted that officers had failed to act on a change in the scheme allowing 100 per cent of expenditure to be reclaimed on grants approved after 1 April 2008. This had led to the claim being understated by approximately £128,000. The necessary amendment was agreed with officers and made to the claim.

### Housing Subsidy, Housing Subsidy base data return and Pooling of Capital Receipts

- 13** The working papers provided in support of these claims were of a high quality and queries were resolved quickly including those in respect of the complex issues regarding Housing Revenue Account financing. All three claims were certified and submitted within the deadlines set by CLG and without amendment or qualification.

### National Non-Domestic Rates

- 14 We assessed the control environment for this claim as low risk based on audit intelligence from other aspects of our work. This allowed us to certify the claim based on more limited detailed testing. The claim was submitted by the CLG deadline without amendment or qualification.

### Housing and Council Tax Benefit

- 15 Our testing identified four cells on the claim containing errors. We agreed extrapolated amendments for these four cells. A number of other cells on the claim required amendment as a consequence of the changes to these four cells. Overall, the claim increased by £62,600 as a result of these amendments.
- 16 We are grateful to officers involved with the housing benefit system for the level of support provided during the audit. The claim was certified and submitted without qualification within the deadline set by DWP.

### Sure Start

- 17 This claim was supported by good working papers and was certified and submitted without amendment or qualification and within the deadline set by the Department for Children, Schools and Families.

### Teachers' Pensions Return

- 18 This is a significant and complex return and the information for some cells is difficult to acquire from the current HR Payroll system. Our audit queries in respect of the claim took a considerable time to resolve due to pressures on officers from the implementation of the new HR Payroll system which is due to be in place from 1 April 2010. However, the return was certified and submitted within the deadline set by Teachers' Pensions with only minor amendments arising from the audit. A qualification letter was also issued advising of an error to be corrected in 2009/10.

### New Deal for Communities

- 19 This claim was submitted to us for audit six weeks after the 30 September deadline set by CLG. This meant we were unable to complete the audit and submit the certified claim by 31 December 2009.
- 20 The projects covered by this claim are in their final year and staffing had been reduced. This led to a marked deterioration in control exercised over the projects and the level and quality of evidence to support the expenditure being claimed. Despite this the claim was certified and submitted without amendment on 11 January 2010. We included a qualification letter to CLG highlighting differences between its guidance to councils and the Certification Instruction agreed with the Audit Commission.

# Appendix 1 – Summary of 2008/09 certified claims

## Claims and returns above £500,000

Claim	Value £000	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	152,574,	Yes	Yes	No
Pooling of housing capital receipts	744	Yes	No	No
HOU01 HRA subsidy	2,495	Yes	No	No
EYC02 Sure start, early years and childcare	6,712	Yes	No	No
HOU02 HRA subsidy base data return	N/A	Yes	No	No
HOU21 Disabled facilities	660	Yes	Yes	Yes
LA01 National non-domestic rates return NNDR03	86,158	Yes	No	No
PEN05 Teachers' pensions return	26,110	Yes	No	Yes
RG03 New deal for communities	1,147	Yes	No	Yes

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Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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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