

Certification of claims and returns - annual report

Southampton City Council

Audit 2010/11



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Introduction

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. Auditors are required to complete all of the tests in the relevant certification instruction, if reliance on the control environment has led to a reduced level of testing for more than two years.

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 Authority has continued to meet the deadlines for preparing claims and returns.

I carried out work on nine claims and returns, all were over the £500,000 threshold. My work gave rise to amendments to six claims and returns for the year ended 31 March 2011. I issued a qualification letter with my certificate on the 2010/11 Housing and Council Tax Benefits grant claim and the New Deal for Communities Statement of Grant Usage.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£222 million
Number of claims and returns amended due to errors	6
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	£80,320

I summarise below the main features of my certification work and what I found.

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.

My certification work has confirmed the Council sent all the expected uncertified 2010/11 grant claims and returns to the respective government department on time. Supporting working papers were provided to me by your officers and I have been able to complete the work required by the Audit Commission's certification instruction for each claim or return. All certified claims and returns were sent to the relevant government department on time. No significant issues arose from my certification work that I need to report to the Council.

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	118,398	N/A – Requirement to follow separate HB COUNT approach	-1,618	Yes
Pooling of housing capital receipts	2,254	No – Required to test in full due to third year of a three year cycle	Nil	No
HRA subsidy	-8,755	Yes	-12,123	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 – full testing required because of the implementation of the new HRA financing regime in 2012/13	Nil –but changes were made to data in the return	No
National non-domestic rates return	81,967	Yes	Nil –but changes were made to the return	No
Sure start, early years and childcare grant and aiming high for disabled children grant	11,548	Yes	Nil	No
Disabled facilities	0.8	Yes	Nil	No
New Deal for Communities	5,440	No – qualified in previous years	-575,694	Yes
Teachers' pensions return	11,235	Yes	+64,722	No

Housing and council tax benefit scheme

There were no significant issues arising from my testing of your housing and council tax benefits claim for 2010/11. I reported the minor discrepancies that I found between the amount of benefit granted on the computer system and the amount actually paid to claimants and the impact of the minor errors that were noted during my testing. I am required to report such issues to the Department of Work and Pensions, to enable them to consider whether any action is necessary. The Department of Work and Pensions confirmed that it has settled the claim based on the certified figures in a letter to the Council dated 13 December 2011.

New Deal for Communities

The 'Thornhill Plus You' New Deal for Communities scheme ended on 31 March 2011. My letter to the CLG therefore commented on a number of closure issues. These included the removal by the CLG of the requirement for the legacy succession plan for the 'Thornhill Plus You' scheme to be approved by the Minister.

I also reported that payments made in 2010/11 for eight projects totalled more than had been approved, but the total of revenue and capital payments remained within the approved amount.

Teachers' pensions return

Internal Audit highlighted a number of weaknesses in the preparation of the teachers' pension return for 2010/11. These primarily related to the data for the two schools that used an independent external payroll provider. An action plan for improvement has been drawn up by Internal Audit who will undertake more work in 2011/12 to ensure that the year-end payroll reconciliation processes are robust.

Whilst I had no need to report on this issue in 2010/11 the number of schools using an independent payroll provider has increased to eighteen in 2011/12. Therefore members should ensure managers implement Internal Audit's recommendations.

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 3: 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	47,346	44,678	N/A
Pooling of housing capital receipts	1,851	1,828	N/A
HRA subsidy	4,362	5,576	Reduced testing because reliance could be placed on the control environment in 2010/11.
Housing finance base data return	4,907	2,927	Additional testing required by the certification instruction in preparation for the new housing finance regime which comes into effect from 1 April 2012.
National non-domestic rates return	1,954	3,155	There were only minor amendments to the return in 2010/11.
Teachers' pensions return	3,041	2,798	N/A
Sure start, early years and childcare grant and aiming high for disabled children grant	1,610	2,874	Fewer issues and no amendments made in 2010/11 claim.

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Disabled facilities	1,040	1,792	Fewer matters arising during the 2010/11 certification work.
New Deal for communities	13,166	10,140	Complex issues arising during the final year of the scheme, as reported above.
Planning, control and reporting	1,043	1,414	Reduced planning & control time needed.
Total	80,320	77,182	

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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.

