

Certification of Claims and Returns

Annual Report

Carlisle 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
- any third party.

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 prove to the auditors that it has met the conditions which attach to these grants.

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

Certification of claims

- 1 Carlisle City Council receives more than £29.2 million 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 the Council manages certification work properly and can prove to us, as your auditor, the relevant conditions have been met.
- 2 In 2008/09, we certified five claims with a total value of £62.8 million. Of these, we carried out a limited review of one claim and a full review of four claims. (Paragraph 9 explains the difference in the work needed for each of these). We amended four claims and were unable to fully certify them and for each one, we issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.
- 3 The fees we charged for grant certification work in 2008/09 were £42,007.

Significant findings

- 4 The key area for improvement to the Council's arrangements for grant claims is the Single Programme claims. The Council needs to ensure submission of the 2009/10 claims for audit by the 30 June deadline. It also needs to improve the quality assurance arrangements to minimise errors and ensure compliance with grant conditions.

Actions

- 5 Appendix 2 summarises our recommendations. The relevant officers of the Council have already agreed these recommendations.

Background

- 6 Carlisle City Council submitted grant claims and returns to government departments for 2008/09 with a value of £62.8 million. Of this the Council receives £29.2 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 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 Carlisle City Council. We charge a fee to cover the full cost of certifying claims. The fee depends on how much work is needed 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 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 reduced audit fees for certification work if the control environment is strong.
 - 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

Control environment

- 10** The work that we undertake to certify the Housing Benefit and Council Tax Benefit claim for the Department of Work and Pensions (DWP) is slightly different to other claims. The high value and high risk nature of the claim, means that we do not rely on the control environment and have to test the entries on the Council's claim form. In doing this we:
- confirm completion of the subsidy claim using the recognised software for the claim;
 - undertake an analytical review for a year by year comparison and comparisons to other councils; and
 - carry out detailed testing of individual claims for benefit to ensure the Council is calculating benefit entitlement correctly and reporting accurate performance information to the Department of Work and Pensions.
- 11** We were unable to rely on the control environment for the two of the Single Programme claims for Carlisle Renaissance and had to undertake detailed testing because:
- no specific work undertaken on these claims by Internal Audit in 2008/09;
 - a history of wrongly including expenditure in the claims which related to previous or future years;
 - previous problems of claiming above approved amounts.
- 12** We did not rely on the control environment for National Non-domestic rates (NNDR) and had to undertake detailed testing. This was because of the high value and complexity of the claim and Internal Audit only undertook limited work on the NNDR system in 2008/09.

Recommendation	
R1	Consider whether Internal Audit should undertake work on the single programme claims.

Specific claims

Housing Benefit and Council Tax Benefit claim

- 13** For the Housing Benefit and Council Tax Benefit claim we were required to test an initial sample of 60 individual cases for 2008/09. Our initial testing found errors and we had to extend the testing in these areas as required by the certification instruction. We are pleased to report the extra testing was carried out quickly by the Council's staff and this enabled us to meet the certification deadline. Our Qualification Letter to the DWP reported the errors we found in testing rent allowances and an extrapolation of the errors.

Single programme claims - common problems

- 14** There were some common problems that affected the three single programme claims for 2008/09. These included:
- claims were submitted for audit between the 27 and 30 July 2009 which is after the deadline of 30 June 2009;
 - arithmetical, typographical or totals errors in the claims submitted for audit;
 - claims were not completed on the basis of payments made during the year rather than expenditure incurred. Our testing identified that for one claim a payment of £133k and on another claim a payment of £2k were made after the 31 March 2009, the deadline for these claims; and
 - we were unable to confirm the details in Schedule 1A agreed to the latest offer letter/programme agreement from North West Development Agency (NWDA) for the approved funding for the lifetime of the project.

Recommendations	
R2	Ensure that all single programme claims are submitted for audit by the 30 June deadline.
R3	Ensure that all single programme claims are subject to quality assurance checks so that an arithmetical, typographical or totals errors are addressed prior to submission for audit.
R4	Ensure that only expenditure paid in the year is included within the relevant year's single programme claims.
R5	Where possible, for single programme claims obtain an updated offer letter/programme agreement from North West Development Agency (NWDA) for the approved funding for the lifetime of the project.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
National Non-domestic rates (NNDR)	33,594,166	No	No	No
Housing and council tax benefit	28,389,941	N/A	Yes	Yes
Single Programme - Renaissance core costs	668,394	No	Yes	Yes
Single Programme - Carlisle Renaissance Year 1 Action Plan	162,773	No	Yes	Yes
Single Programme - Longtown Market Town Initiative	14,039	Yes	Yes	Yes

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.

Claims between £100,000 and £500,000

There were no claims audited in 2008/09 within the category.

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Consider whether Internal Audit should undertake work on the single programme claims.	3	Development & Support Manager	Yes	This will be considered and discussed with the Internal Audit Shared Service Manager in due course.	April 2010
6	R2 Ensure that all single programme claims are submitted for audit by the 30 June deadline.	3	Development & Support Manager	Yes	This has been built into the Final Accounts closedown timetable and reminders will be given to project officers to ensure that all workings/files etc are supplied on time to Financial Services to quality check before passing to the Audit Commission.	May 2010
6	R3 Ensure that all single programme claims are subject to quality assurance checks so that an arithmetical, typographical or totals errors are addressed prior to submission for audit.	3	Development & Support Manager	Yes	All claims will be checked for accuracy and completeness in Financial Services prior to submission to the Audit Commission.	May/June 2010
6	R4 Ensure that only expenditure paid in the year is included within the relevant year's single programme claims.	3	Development & Support Manager	Yes	Claims will be cross checked to ensure that they only include expenditure incurred in the relevant financial year, in accordance with the terms and conditions of the grant allocation, and reminders will be given to Project Officers preparing the claims.	May/June 2010

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Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R5 Where possible, for single programme claims obtain an updated offer letter/programme agreement from North West Development Agency (NWDA) for the approved funding for the lifetime of the project.	3	Development & Support Manager	Yes	Updated offer letters/agreements will be sought for any changes and meeting are to be held to ensure Project Officers are aware of this.	May/June 2010

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