

# Certification of claims and returns - annual report

Carlisle City 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 to assess the control environment for preparing 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.

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 performed adequately in preparing claims and returns but more work is still required to improve arrangements.**

My work gave rise to amendment of two of the five claims and returns for the year ended 31 March 2011. I have issued three qualification letters accompanying my certificate on claims or returns.

Table 1: **Summary of 2010/11 certification work**

<b>Number of claims and returns certified</b>	
Total value of claims and returns certified	£68,631,255
Number of claims and returns amended due to errors	2 out of 5
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	3 out of 5
Total cost of certification work	£44,400

I did not find any issues that had a significant impact on the amount of a claim or return nor a material impact on the accounts. However, the Council can improve its arrangements for managing claims and returns by:

- improving the accuracy of the work of benefits assessors to minimise the under or overpayment of benefit;
- ensuring uncashed housing benefit and council tax benefit cheques are treated correctly on the system and therefore in the claim; and
- strengthening the management of single programme claims to ensure compliance with grant conditions and to minimise errors.

# 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.

Table 2 outlines the minor changes to the Housing and Council Tax Benefit claim and the single programme claim for Carlisle Renaissance Core Costs. It also identifies the issues raised in the three qualifications letters.

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 benefit and council tax benefit	32,902	N/A – certification arrangements agreed with the Department of Work and Pensions do not allow me to rely on the control environment in certifying this claim. I am required to complete detailed testing.	£613	Yes – see explanation provided below.
National non-domestic rates return	34,821	Yes	N/A	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?
Single programme – Carlisle Renaissance Core Costs <sup>i</sup>	180	Yes	£0 – additions error	Yes – total payments for 2010/11 were within the overall grant approval figure but capital payments exceeded the capital approval by £3,063.18.
Single programme – Durranhill acquisitions <sup>i</sup>	278	No – problems with claim last year, changes in staff completing claim in 2010/11 and incomplete working papers and documentation increase the risk on this claim. Also unusual treatment of a refund.	N/A	Yes – lack of supporting evidence for grant approved in 2010/11. Also issue on use of a refund from Cumbria County Council which related to revenue funding but used to fund capital expenditure.
Single programme – Carlisle Roman Gateway <sup>i</sup>	450	Yes	N/A	No

<sup>i</sup> This is the amount of grant claimed in 2010/11 for a claim spanning more than one year. The financial limits above relate to the amounts claimed over the life of the claim and testing is applied accordingly.

The Council did not make any other claims with a value between £125,000 and £500,000, which required certification by the Audit Commission.

### Housing Benefit and Council Tax Benefit

For the housing benefit and council tax benefit claim I tested an initial sample of 62 individual cases for 2010/11 taken from across the four headline cells. Where errors are identified in the initial sample another sample of 40 cases must be tested for the error identified. Errors in the initial sample of cases meant I needed to undertake additional testing in three areas. I also identified issues on uncashed cheques as a result of assessors sometimes using the wrong procedure to cancel them on the system. More work was required to assess the impact on the claim. In previous years the Council's

staff did the additional testing and we confirmed the findings by undertaking some re-performance. However, in 2010/11 the Revenues and Benefits Shared Service did not have resources available to undertake this additional testing so it was undertaken by my staff, contributing to the increased fee.

I issued a qualification letter on the housing benefit and council tax benefit claim because of errors in the initial sample and to report the outcome of additional testing of individual cases. Additional testing related to non HRA Rent Rebates and Rent Allowances.

My work identified errors where assessors for non HRA Rent Rebates:

- used the wrong nightly rate for bed and breakfast accommodation for the homeless leading to an underpayment of benefit;
- used the wrong date to assess benefit claim leading to an underpayment of benefit;
- used a mixture of 2009/10 and 2010/11 rates for ineligible costs for board and lodgings leading to both under and overpayment of benefits.

My work identified errors for Rent Allowance:

- where a case assessed rent using a four week month rather than a calendar month causing an overpayment of benefit.

The Council needs to take action to improve the accuracy of the work of benefits assessors to minimise the under or overpayment of benefit.

# Summary of progress on previous recommendations

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

The Council implemented the recommendations in our 2009/10 report. However, an arithmetical error still occurred on one single programme claim.

Table 3: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Current status	Comments
The Council should ensure that benefit assessors are clear about what dates to use for change of circumstances.	High	1 March 2011	Implemented	
Ensure only payments made in the year are included in the relevant single programme claim.	High	31 March 2011	Implemented.	
Ensure that all single programme claims are arithmetically correct before submission for audit.	High	31 May 2011	Partially implemented.	Carlisle Renaissance Core Costs claim contained an arithmetical error.

# Summary of recommendations

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

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

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Improve the accuracy of the work of benefits assessors to minimise the under or overpayment of benefit.	High	Daily sample accuracy checks are currently undertaken and cumulative performance indicators at Q3 of 2011/12 indicate an accuracy rate of 88.13 per cent when compared to the annual target of 87.35 per cent. A full time Quality Officer post within the Performance Team has been advertised whose remit includes checking of assessments and quality checking subsidy cell data. In respect of Non HRA caseload, the rates and dates have all been checked and/or corrected. Subsidy checking will also be carried out on this cell.	30 April 2012	Performance Manager and Benefits Manager
Ensure uncashed housing benefit and council tax benefit cheques are treated correctly on the system and therefore in the claim.	High	Revised procedure regarding the processing of uncashed cheques circulated to relevant staff on 10 November 2011; also 100 per cent subsidy checking will be carried out on this cell by 30 April 2012.	Implemented.	Performance Manager

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Strengthen the management of single programme claims to ensure compliance with grant conditions and to minimise errors.	Medium	There is only one claim in 2011/12; however grant conditions will be adhered to through closer scrutiny of the working papers, in order to minimise any errors.	On-going until the end of the claim.	Economic Development Manager

# 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 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing benefit and council tax benefit	33,524	29,843	More errors in 2010/11 than in previous year increasing the amount of 40+ testing required. More work on uncashed cheques. The additional testing had to be undertaken by my staff as no resources available from the Revenues and Benefits Shared Service. More time on agreeing to system in 2010/11 as original claim submitted was not the final version.
National non-domestic rates return	1,255	1,684	In 2010/11 established early on that testing limited to agreeing form entries to underlying records only. Also work completed in one visit.
Single programme	7,415	7,178	
Grants administration and Annual report	2,206	1,890	More time spent clarifying which single programme claims expected and when they would be received.
Total	44,400	40,595	

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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.

