

# **Certification of claims and returns - annual report**

**Maidstone Borough Council**

**Audit 2009/10**

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# Summary

**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 2009/010 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** Maidstone Borough Council receives funding from various grant paying departments. In the case of National Non-Domestic Rates ('NNDR') the Council is responsible for paying over monies collected from ratepayers on behalf of a central government department. The relevant 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 2009/10, my audit team certified 3 claims with a total value of £97.1 million. Of these, we carried out a limited review of the disabled facilities grant and a full review of the both the housing and council tax benefit claim and the NNDR return. (Paragraph 10 explains the difference.) The adjustments required as a result of identification of errors in the housing and council tax benefit claim have all been made by the council. These will be recorded in the 2010/11 claim so I have been able to certify the 2009/10 claim without amendments being made. I have certified the disabled facilities grant and NNDR return without any amendments being necessary.

## Certification fees

3 The fees I charged for grant certification work in 2009/10 were £31,285.50 (before VAT) compared to £33,102 in 2008/09.

Table 1: **Certification fees by claim**

Claim	Fee - 2009/10	Fee - 2008/09
Housing and council tax benefit	£23,384	£25,682
NNDR	£7,647.50	£4,270
Disabled facilities grant	£254	£3,150

*Source: Audit Commission, correct at 31 October 2010*

4 There were difficulties in obtaining the required data for auditing the new NNDR deferral scheme, which is the main reason why the NNDR fee is higher this year.

5 The disabled facilities grant only required limited testing this year, whereas full testing was required in 08/09, which is why the fee is substantially lower.

## Actions

6 Appendix 2 summarises my recommendations. The relevant officers of the Council have already agreed these recommendations.

# Background

**7** The Council claims funding 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.

**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 the 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

## Housing and council tax benefit subsidy claim

### Control environment

**11** We are no longer instructed by the grant-paying body (the DWP) to assess the control environment as detailed case testing is required at all authorities which administer housing and council tax schemes.

### Key Findings

**12** This claim is by far the Council's largest grant claim, with total housing and council tax benefit expenditure representing around 45 per cent of the Council's gross service expenditure. A key element of our certification approach involves taking a sample of benefit cases from the entries on an authority's subsidy claim form and undertaking detailed testing on these cases using workbooks provided by the Commission. The focus of testing is to consider whether benefit has been awarded in accordance with regulations, and that benefit has been recorded correctly for subsidy purposes.

**13** Our initial testing of 60 benefits cases identified 5 cases that contained an error and a general issue in relation to a change in regulations. This change in regulations required additional checks to have been undertaken to ensure that claims were still calculated correctly when it was applied to the benefits system.

**14** The five errors identified were:

- an incorrect start date was used in the calculation of a claim;
- the amount of subsidy claimed on a non-HRA claim was too low;
- a claimant had been underpaid for a four-week period due to having been taken to have moved to a new permanent residence when this was not the case;
- a claimant had been awarded rent protection, but was found not to be eligible;
- a claim had not been updated for the claimant's most recent payslips.

**15** For the first four, additional testing was carried out, which found no further errors. This led me to conclude that these errors were isolated.

**16** Where it was found that the claimant's income had not been updated to reflect their most recent income, it was identified that this case was included on a list from the DWP of all cases at the Council where the income had not changed for a year. An error meant that this case was not picked up. The Council reviewed all of its cases where the income had not changed for a year and a number of claims were subsequently cancelled.

## Recommendation

**R1** All claims where the income has not changed for a year should be reviewed on at least an annual basis.

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**17** There was a change in government regulations in November 2009 that increased the threshold before a deemed income is applied for the claimant's capital. A check should have been undertaken at the time to ensure that the affected cases were still calculated correctly following the update to the benefits system.

**18** When this check was subsequently undertaken there were 12 cases that required amendment.

## Recommendation

**R2** Checks should be undertaken following any mass changes to benefits system parameters to ensure that the affected cases are still calculated correctly.

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## NNDR return

### Control environment

**19** While the control environment is generally sound, we concluded that we could not rely on it for the preparation of the return because we are required to undertake detailed testing at least once every three years, and it was necessary this year.

### Key findings

**20** No errors were identified from our testing. The return was consequently certified without amendment.

## Disabled facilities grant claim

### Control environment

**21** The value of the claim, £405,000, is below our minimum level of £500,000 for which an assessment of the control environment and full testing is necessary.

### Key findings

**22** No errors were identified from our testing. The claim was consequently certified without amendment.



## 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	45,548,781	N/A	Yes	No
National Non-Domestic Rates	51,193,154 <sup>i</sup>	Yes	No	No

### Claims between £100,000 and £500,000

Claim	Value £	Amended
Disabled Facilities Grant	405,000	No

<sup>i</sup> This is the pooled amount payable to central government and does not represent the amount available to the council.

## Appendix 2 Action plan

### Recommendations

#### Annual Claims and Returns Report 2009/10 - Recommendations

##### Recommendation 1

All claims where the income has not changed for a year should be reviewed on at least an annual basis.

<b>Responsibility</b>	Benefits Manager
<b>Priority</b>	Medium
<b>Date</b>	July 2011
<b>Comments</b>	Has been completed for June/July 2010 so should be carried out again by the same time in 2011 at the latest

##### Recommendation 2

Checks should be undertaken following any mass changes to benefits system parameters to ensure that the affected cases are still calculated correctly.

<b>Responsibility</b>	Benefits Manager
<b>Priority</b>	Medium
<b>Date</b>	Ongoing
<b>Comments</b>	

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