

Certification of claims and returns - annual report

Warwick District Council

Audit 2009/10

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Contents

Summary.....	2
Certification of claims.....	2
Background	3
Findings	4
Control environment	4
Specific claims	4
Appendix 1 Summary of 2009/10 certified claims.....	5
Claims and returns above £500,000	5
Claims between £125,000 and £500,000	6

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 2009/10 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** Warwick District Council receives more than £110 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 demonstrate to us, as auditors, that the relevant conditions are met.
- 2** In 2009/10, my audit team certified 11 claims with a total value of £106 million. Of these, we carried out a limited review of three claims and a full review of eight claims. Paragraph 10 explains the difference. We amended six claims for errors. For one claim, we were unable to fully certify the claim and issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.
- 3** The fees I charged for grant certification work in 2009/10 were £48,789.

Background

4 Income for specific activities from grant paying departments is significant to the Council's income. It is therefore 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.

5 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 Warwick District 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.

6 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

7 The key features of the current arrangements are as follows.

- For claims and returns below £125,000 the Commission does not make certification arrangements.
- For claims and returns between £125,000 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

Control environment

8 Auditors assess whether the control environment is sufficiently strong to be able to place reliance upon it. Where this is the case, limited testing is required. Appendix 1 shows those claims where auditors were able to rely on the control environment.

9 Factors include:

- the complexity of the scheme;
- compilation method;
- officers' awareness of the terms and conditions;
- controls in the relevant systems; and
- comparison of the claim value with expectations and prior year.

10 As the control environment across the Council is sound, the main factor is the complexity of the scheme and the extent to which expenditure is "ad hoc" or different each year. Therefore, we end up with an apparent anomaly where the £60 million NNDR claim, which is well controlled and a simple system which doesn't change each year we assess as being able to rely on the control environment. However, the AWM claims, with much lower expenditure, we assess that we cannot rely on the control environment. This is because the expenditure is different each year; whether it is allowable or not is, to an extent, judgemental; and what is allowed or not can be complex.

11 For the benefits claim, we have to do the full testing - there is no choice. This is a nationally mandated approach.

Specific claims

AWM claims

12 My team certified five claims for Advantage West Midlands. These claims were more problematic than last year. Finance staff who compiled the claims and answered auditor questions last year were off work this year. However, all concerned worked hard to ensure certification without qualification and as efficiently as possible.

Housing and Council Tax benefit

13 My team followed the same approach as last year. Officers completed a lot of the detailed testing, with auditors re-performing a sample of the work as required by quality standards. Officers' high quality work helped ensure a smooth process.

Appendix 1 Summary of 2009/10 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification Letter
Housing and Council Tax Benefit	36,844,789	N/A	Yes	Yes
National Non Domestic Rates	60,633,573	Yes	No	No
Housing Revenue Account Subsidy	7,204,486	No	No	No
Housing Revenue Account Subsidy Base Data Return	N/A	No	Yes	No
AWM* - Spencers' Yard	432,698	No	Yes	No
AWM - Althorpe Innovation & Enterprise Centre	23,499	No	Yes	No
AWM - Court Street Arches	16,977	No	Yes	No

* When assessing whether claims are over £500,000, we assess AWM claims over the total value of the grant, not the annual award.

Claims between £125,000 and £500,000

Claim	Value £	Amended	Qualification Letter
Disabled Facilities Grant	240,000	No	No
AWM - Brunswick Enterprises Hub	246,294	Yes	No
AWM - Station Area Masterplan	75,000	No	No
Pooling of Housing Capital Receipts	353,323	No	No

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