



Accountants &
business advisers

Babergh District Council

Grant Claim Certification for the year ended 31 March 2010

February 2011

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body with reference to the separate Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

[Statement of Responsibilities of Auditors and Audited Bodies](#)

[Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns](#)

1 Introduction

- 1.1 This report summarises the main issues arising from the certification of grant claims for the financial year ending 31 March 2010. We undertake grant claim certification as an agent of the Audit Commission, in accordance with the Certification Instructions issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.
- 1.2 After completion of the tests contained within the Certification Instruction the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.
- 1.3 The results of the integrated benefits work also contribute to the Audit Commission's inspection risk assessment for benefits services. Sample sizes and methodology for this work are prescribed by the Audit Commission.
- 1.4 We would like to thank all the staff involved in the grant claims preparation and audit for all their co-operation.

2 Summary of certification

2.1 The table below identifies the certification status of the grant claims audited for the year ending 31 March 2010.

Claim	Value of claim £	Qualified/ Unqualified	Number of amendments made to claim	Impact of amendments on subsidy £
Housing and council tax benefit subsidy	22,416,520	Qualified	7	2,537
Pooling of housing capital receipts	949,361	Unqualified	2	625
Disabled facilities grant	222,000	Unqualified	0	0
National non domestic rates return	19,647,090	Unqualified	1*	0
HRA subsidy (2009/10)	4,835,388	Unqualified	1	0
HRA subsidy base data return (2011/12)	N/A*	Unqualified	0	N/A**
Total for 2009/10	48,070,359	1 qualified	11	3,162
Total for 2008/09	43,758,547	All unqualified	33	649

* Administrative amendment made to a date on the return, having no impact on any values entered on the return

** N/A as claim does not give rise to grant payment

Detailed findings

- 2.2 Four of the six claims audited were certified with amendment, and only one of the six claims audited, the housing and council tax benefit subsidy claim form, was qualified due to non compliance with the Certification Instruction and, therefore, the requirements of the grant paying body.
- 2.3 There were no matters arising from the audit of the disabled facilities grant claim, or the HRA subsidy base data (2011/12) claim. This is a notable improvement on the previous year's audit results, where amendments were required to both of these returns (2 amendments to the disabled facilities grant claim and 18 to the HRA subsidy base data (2010/11) return).
- 2.4 A general improvement from prior year was seen again in the preparation of claims presented for audit which builds on the progress made since 31 March 2008 claims. As in the prior year, the number of amendments made to claims submitted for audit has again fallen reinforcing the positive progress the Council has made.

Pooling of housing capital receipts claim

- 2.5 The adjustments made to this claim related to administrative costs and to costs of expenditure on improvements of dwellings. From detailed testing of these cells, the agreement of legal costs to source documentation identified that there had been some duplication of hours and some hourly charges incorrectly applied. All legal costs were recalculated and amended on the claim form in accordance with the Certification Instruction.

Housing and council tax benefit subsidy claim

- 2.6 Overall, there were a similar number of errors and uncertainties identified with the Housing and Council Tax benefit subsidy claim compared to the previous year.
- 2.7 In relation to the Housing and council tax benefit subsidy the following quantifiable errors were identified and the correction of these errors below resulted in a £2,537 increase in subsidy claimed:

Isolated errors

- Incorrect start date was applied for a change in income assessment for student loan income for one claimant receiving Housing Revenue Account (HRA) rent rebates. Due to the infrequent nature of assessing this source of income within benefit claims, all other HRA rent rebate claims were reassessed with student loan income. Testing identified that all other claims had the start date correctly applied, and we therefore concluded that this was an isolated error and the claim was amended accordingly.
- Incorrect assessment of income for Non-HRA rent rebate claimants, which included application of the incorrect child benefit disregard for any periods between 1/4/09 to 2/11/09. Additionally, the claimant's income had been incorrectly deducted from cell 12 (expenditure above the cap), which in accordance with paragraph 613 of the housing benefit and council tax benefit subsidy guidance manual, the income should be deducted from cell 14 (expenditure up to and including the threshold). We tested all Non-HRA rent rebate claimants with an income-based assessment to quantify the agreed amendment for the claim form. As part of the additional sample there was one instance where supporting evidence could not be provided for part of the claimant's weekly income assessment which was concluded to be an isolated omission.

Reconciliation

- Variances identified on two of the in-year reconciliation cells (HRA Rent Rebates and Rent Allowances) which did not agree to the entries made in the detailed cells. The correct entries were agreed to the underlying records held on Civica and the corresponding amendments made to the claim.
- The authority were unable to reconcile benefit granted on the Civica system to benefit paid. The software supplier's method for reconciliation had been followed but resulted in unexplained differences in rent allowances of £143 and council tax of £739. These were required to be reported in a qualification letter to DWP in accordance with the Certification Instruction.

Up-rating

- Incorrect up-rating of claimant's war widow pension for modified scheme claims which resulted in the misclassification of benefit award between standard benefit awarded (understated) and local scheme (overstated).
- 2.8 The claim was qualified due to the following issue which it was not considered necessary to correct given it would impact on a number of cells and was simply a matter of timing:
- There were two payment runs included in the claim form where subsidy had been incorrectly claimed in 2009//10 for benefit which was paid fortnightly in advance relating solely to 2010/11. These cases related to Rent Allowances, per the DWP guidance, benefit periods relating solely to 2010/11, but paid in 2009/10, should be excluded from the 2009/10 subsidy claim. This was reported in our Qualification Letter and amounted to £8,021. An amendment was not made to the subsidy claim form.

HRA subsidy base data return

- 2.9 The adjustments made to this claim related to amounts entered for the average amount of borrowing outstanding in 2009/10. From review of the Council's working papers it was identified that the short term borrowing estimation did not accurately reflect the Council's actual cash flows throughout the course of the year, with only two instances where the Council used their overdraft facility. The estimation was consequently considered overstated and was recalculated to be consistent with the authority's records on a weighted average basis.

3 Fees charged

- 3.1 The fees charged for each grant claim audited for the year ending 31 March 2010 were as follows:

Claim	Fee for the year ended 31 March 2010	Fee for the year ended 31 March 2009
Pooling of housing capital receipts	2,230	2,140
Housing and council tax benefit subsidy	29,998	32,868
Disabled facilities grant	448	764
National non domestic rates return	3,145	3,125
HRA subsidy (2009/10)	1,866	1,919
HRA subsidy base data return (2011/12)	3,423	4,324
Grants Report	750*	735
TOTAL	41,860	45,875

* Fee is an estimate only and will be finalised upon agreement of the report.

- 3.2 The Grants Report is mandated by the Audit Commission, as a result of their *Review of Arrangements for Certifying Claims and Returns*, to raise the importance and profile of certification work and improve the standards of claims and returns prepared. The cost of reporting is charged under section 28 of the Audit Commission Act 1998 and is calculated based upon the number of hours taken to draft, agree and finalise the report.

4 Conclusions

- 4.1 Improvements continue to be made in relation to the preparation of grant claims and supporting working papers but there is still some scope for further improvement.
- 4.2 A detailed Action Plan to secure improvement to arrangements in future years has been agreed with officers and is included in the Appendix to this report and comments have been made regarding progress made against our previous recommendations.

Appendix – Progress against prior year recommendations

Recommendations	Priority	Management response	Responsibility	Timing	Progress
General					
<p>1. Compile a comprehensive working paper file for each grant claim that includes:</p> <ul style="list-style-type: none"> • A copy of the draft claim submitted to the grant paying body and copies of any subsequent amended claims produced prior to audit • Explanations for, and working papers to support, any amendments made to the original draft claim since submission • Working papers that support the entries in each cell of the most claim submitted for audit and demonstrate that the requirements of the grant paying body have been met in completing the claim. <p>2. Independently review the file to identify any inconsistencies between the working papers and the claim form.</p>	High	Agreed in principle. Further discussions are taking place with the auditors to clarify the specific areas where this was not adequately in place for last year.	Corporate Finance Manager	To be incorporated as part of 2009/10 Final Accounts Closedown process.	There was a noted general improvement on grant claim working paper files on grant claims prepared. However, there were isolated examples which have been outlined in the detail of the report and specific actions included within the 2009/10 Action Plan to address these.
<p>3. Ensure the latest guidance is used and referred to when compiling the claim. Review the latest guidance notes to ensure that all changes are identified and taken into account in the preparation of the claim.</p>	High	Recommended action is noted. Officers have reviewed processes and put in place the necessary checks to ensure compliance with new guidance in a timely manner.	Corporate Finance Manager	To be incorporated as part of 2009/10 Final Accounts Closedown process.	The latest guidance had been complied with, no issues were identified in 2009/10..

Appendix – Action Plan

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
General					
<ul style="list-style-type: none"> There were two variances identified on two of the in-year reconciliation cells (HRA Rent Rebates and Rent Allowances) which did not agree to the entries made in the detailed cells. 	<ol style="list-style-type: none"> Review the file to identify the reasons for any differences between the in year reconciliation cells. 	Medium	The reconciliation process has now been changed from monthly to weekly which has resulted in us balancing to the penny.	Gary Bullock	01/04/11
<ul style="list-style-type: none"> There were instances where the Council had applied the incorrect up-ratings / disregards resulting in discrepancies for the income figure used in the assessment. These were manual errors. 	<ol style="list-style-type: none"> All benefit types should be processed on Civica to reduce the risk associated with manual calculations. 	Medium	Agreed, all benefit types are now processed through Civica.	Gary Bullock	01/04/11
<ul style="list-style-type: none"> Two payment runs included in the claim form had been incorrectly claimed in 2009//10 for benefit relating solely to 2010/11. 	<ol style="list-style-type: none"> Review year end payments made and exclude any advance payments that relate solely to 2011/12 	High	Agreed, review will take place.	Gary Bullock	01/04/11