

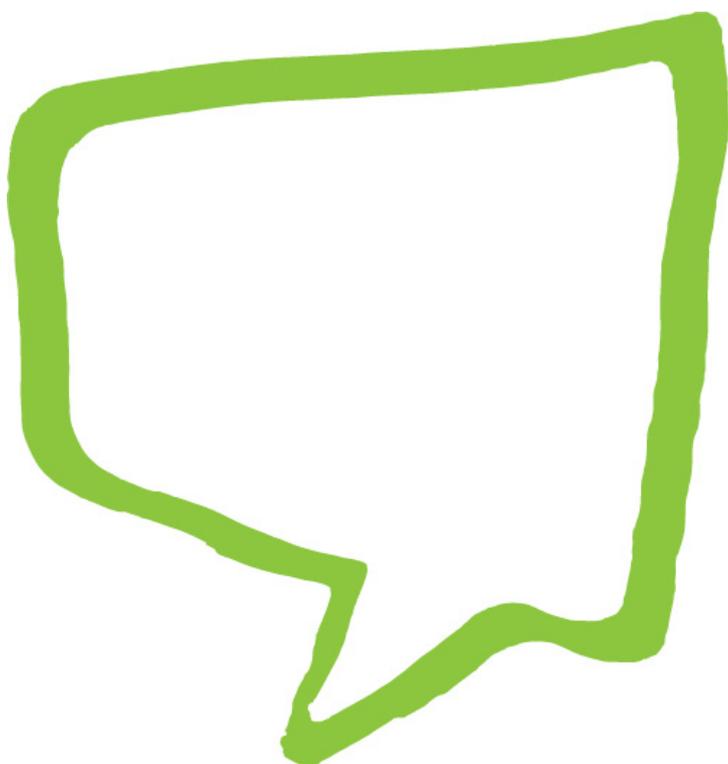
Certification of Claims and Returns

Annual Report

City of York 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.
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Introduction

- 1 Under section 28 of the Audit Commission Act 1998, the Audit Commission makes arrangements for certifying claims and returns in respect of grants or subsidies received by the Council. The Commission, rather than the appointed auditor, has the responsibility for making certification arrangements, and the auditor acts as an agent of the Commission in this respect. This is a different relationship than for the Code of Audit Practice work.
- 2 Good practice in the preparation of grant claims and returns is set out in the '*Statement of Responsibilities of grant paying bodies, authorities, the Audit Commission and auditors in relation to grant claims and returns*', as published by the Audit Commission. This document summarises the framework under which the Audit Commission makes certification arrangements and to assist authorities by summarising the extent of their responsibilities.
- 3 The grant claims we certify range from highly complex multi-million pound schemes, to more straightforward reimbursements of pre-approved expenditure.
- 4 Certification work is designed to provide assurance to the grant paying body that a grant claim is fairly stated and in accordance with specified terms and conditions. We reach a 'conclusion' on each grant claim or return and set out any matters to report to the grant paying body within a qualification letter.
- 5 The certification regime is outside our Code of Audit Practice responsibilities and as such the work we do is charged on an hourly basis. In order to minimise the cost of certification, all authorities should implement the following actions.
 - Provide comprehensive working papers that fully support the grant claim or return.
 - Demonstrate that there is an effective control environment in place to ensure the grant claim or return was prepared in line with the relevant terms and conditions.
 - Implement a robust quality assurance regime to ensure timely submission of well supported grant claims and returns.

Audit approach

- 6 The Audit Commission takes a risk based approach to the grant claim certification work.
- 7 The key features 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.

Main conclusions

- 8 Overall the Council has improved its grant claim arrangements from 2007/08. Although similar proportions of grant claims have been amended or qualified, more submission deadlines were met by the council and there were fewer delays in those that were not met.
- 9 The fee charged for our certification work in 2008/09 is shown in Table 1

Table 1

	£
Budgeted grant fee	50,000
Actual grant fee	54,806
Fee variance	+ 4,806

- 10 The variance in fee from the budgeted amount was primarily due to a 23 per cent increase in the Audit Commission's hourly grant rates, although the certification did take four days longer in 2008/09 due to complications in the certification of the housing benefit claim.
- 11 In total, 10 grant claims and returns with a total value of £140.3m were subject to audit certification in 2008/09. A summary of the claims and returns certified in 2008/09 is shown in Appendix 1.

Control Environment

- 12 For the claims and returns with a value over £500,000, where an assessment of the control environment is required, we were able to rely on it in three out of seven cases (43 per cent). In general, the main reasons why we usually cannot place reliance on the control environment are:
 - previous record of amendment and/or qualification on the grant claim/return;
 - significant difficulties encountered with the audit of the claim in the previous year (eg delays in submission, inadequate working papers);
 - new or unexpected entries on the grant claim/return; and
 - the inherent complexity of the grant claim/return.
- 13 Specifically, for the four claims where we could not place reliance on the control environment in 2008/09, the reasons are shown in Table 2.

Table 2 Reasons why the control environment was not relied upon

CI ref	Claim Title	Reason(s)
EYC02	General Sure Start Grant	Qualification in prior year due to the inclusion of ineligible items, late submission of claim in 2007/08 and 2008/09, and difficulties in obtaining adequate responses to queries from officers in 2007/08.
HOU01	Housing subsidies and grants	Claim is high value, complex, and requires input from multiple departments. An error was identified in 2007/08, although it did not result in an amendment to the claim.
HOU02	HRA Subsidy base data 2010/11	New and unexpected entries on the claim form for a transfer from the HRA to the GF and proceeds from a qualifying housing transfer.
LA01	National non-domestic rates return	High value and complicated claim which was qualified in the previous year.

Submission of Claims and Returns

- 14 The Council submitted two out of 10 grant claims late in 2008/09 (20 per cent) compared to three out of 15 in 2007/08 (20 per cent). The two claims submitted late were also submitted late in 2007/08, although the delays were reduced as shown in Table 3.

Table 3 Grant claims and returns submitted late

CI Ref	Claim Title	Required submission date	Actual Submission date	Number of days late in 2008/09	Number of days late in 2007/08
EYC02	General sure start grant	30 May 2009	6 July 2009	37	112
LA01	National non-domestic rates return	26 June 2009	2 July 2009	6	20

- 15 This is the third consecutive year in which the General Sure Start claim has been submitted late, and such delays inevitably have a knock on effect on our work as we are unable to accurately plan and resource the work. Smaller delays, such as the one on the NNDR return are more easily absorbed, but in all cases it is important that the relevant officer makes us aware of any delay at the earliest possible time so that we can build it into our work programme.

Recommendation

R1 Officers should make us aware of any potential delays in the submission of grant claims and returns as soon as possible.

Qualifications and Amendments

- 16** The number and proportion of grant claims qualified or amended has remained in line with the 2007/08 levels. Whilst the Housing and Council Tax Benefit claim is more likely to be amended and qualified each year due to the complex nature and volume of individual transactions involved, some of the other qualifications and amendments could be more easily avoided by:
- applying quality control processes more robustly - for example an amendment of £101,000 was made on the General Sure Start grant due to capital spend being incorrectly coded to children's centre rather than early years childcare, and an amendment was made to the Teachers Pension return due to a typographical error; and
 - reviewing the requirements of the AC Certification Instruction - whenever we cannot conclude on a certification test and an amendment cannot be made, we are required to qualify the claim. In some cases, this could be anticipated and corrected in advance of submission of the claim form. For example, the NNDR return was qualified because the claim showed an earlier date for the latest information used than that actually used due to the officers' interpretation of their guidance.

Table 4 Amended or qualified grant claims over the last three years

	2006/07	2007/08	2008/09
% of claims amended	44	40	40
% of claims qualified	44	27	30

- 17** A summary of the specific reasons for amendments and qualifications is shown in Appendix 2.
- 18** Despite the issues outlined above, it was pleasing to note that a number of improvements had been made since the previous year in relation to:
- better consistency across the Council in the standard of the working papers provided with the claims by the departments;
 - clear evidence of reviews being undertaken on the working paper files in advance of the claim being submitted; and
 - better referencing of working papers to the relevant parts of the claim.

- 19** In particular, although there are still some issues to resolve as outlined above, the officers responsible for the General Sure Start Grant worked hard to significantly improve:
- the standard of the supporting working papers provided;
 - evidence and explanations for the issues we raised; and
 - the timeliness of such evidence and explanations during the audit process.

Recommendations

R2 Claims should be checked for any inconsistencies with working papers and expected entries/budgeted outcomes prior to submission.

R3 The requirements of the Certification Instruction should be considered by the responsible officer to ensure that:

- all the requirements of the specified tests have been met; and
- sufficient working papers can be provided to support these requirements.

R4 The Council should carefully consider the issues in previous years that led to amendments and qualifications being made on grant claims and returns, and whether any improvements can be made to arrangements and the associated control environment

Appendix 1 – Summary of 2008/09 Certified Claims

CI Ref	Claim	Value, £	Adequate control environment	Amended	Qualified
LA01	National non-domestic rates return	79,674,113	No	No	Yes
BEN01	Housing and Council Tax Benefit	40,172,693	N/A - CE assessment not applied to this claim	Yes	Yes
PEN05	Teachers Pensions return	9,882,548	Yes	Yes	No
HOU01	Housing subsidies and grants	5,320,005	No	Yes	Yes
EYC02	General sure start grant	3,603,023	No	Yes	No
RG33	Yorkshire Forward - Science City	667,284	Yes	No	No
HOU21	Disabled Facilities Grant	400,000	N/A - below £500k	No	No
RG33	Yorkshire Forward - Area Tourism Partnership	295,000	Yes - total for project life is over £500k	No	No
CFB06	Pooling of Housing Capital Receipts	292,774	N/A - below £500k	No	No
HOU02	HRA Subsidy base data 2010/11	N/A - info return only	No	No	No

Appendix 2 – Summary of Qualifications and Amendments

Claim Ref.	Claim Title	Reason for amendment (A) and/or qualification (Q)
BEN01	Housing and Council Tax Benefits Scheme	(A): Amendments to various cells in the return due to a mix of system and Council errors. (Q): Qualified due to the extent of errors found, and the DWP requirement to qualify where anything less than 100 per cent of cases in a cell have been tested.
HOU01	Housing Subsidies and Grants	(A): Amendment to cell F002ci in the grant as the working paper for the accrual in the calculation of the average amount of borrowing outstanding contained an error. (Q): Qualified as an error in the Statement of Accounts meant that the figure for the capital financing requirement did not agree to that shown in the grant claim and the requirements of the certification instruction could not be met
LA01	National Non-Domestic Rates Return	(Q): Qualified as there was insufficient evidence that the full amount of debt shown as being written off had been properly authorised by the Council, and the date of the latest information used for the claim did not agree to the date of the latest VO direction included in the claim data.
PEN05	Teachers Pension Return	(A): Amended due to a typo on line 1 meaning that it was overstated when compared to the supporting records for pensionable earnings.
EYC02	General Sure Start Grant	(A): Amended as capital spend had been incorrectly coded to children's centre rather than early years childcare, quality and access, and for an invoice which had been overstated by the service provider.

Appendix 3 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Officers should make us aware of any potential delays in the submission of grant claims and returns as soon as possible.	3	Finance Managers	Yes	Confirmed with Finance Managers that potential delays of grant claim submissions will be reported to the Audit Commission as soon as they are aware.	02 February 2010 and ongoing
8	R2 Claims should be checked for any inconsistencies with working papers and expected entries/budgeted outcomes prior to submission.	2	Finance Managers	Yes	Finance Managers will check inconsistency of claims with working papers and expected outcomes prior to submission or delegate as appropriate.	02 February 2010 and ongoing
8	R3 The requirements of the Certification Instruction should be considered by the responsible officer to ensure that: <ul style="list-style-type: none"> all the requirements of the specified tests have been met; and sufficient working papers can be provided to support these requirements. 	2	Finance Managers	Yes	Finance Managers will ensure that all specified tests held in the grant claim are correct and working papers are available.	02 February 2010 and ongoing
8	R4 The Council should carefully consider the issues in previous years that led to amendments and qualifications being made on grant claims and returns, and whether any improvements can be made to arrangements and the associated control environment	2	Finance Managers and Technical Finance Manager	Yes	Technical Finance Manager to raise awareness of Department Accountants at year end closedown meetings to previous grant claim audit suggestions and Finance Managers to review their control environments.	02 February 2010 and ongoing

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
