

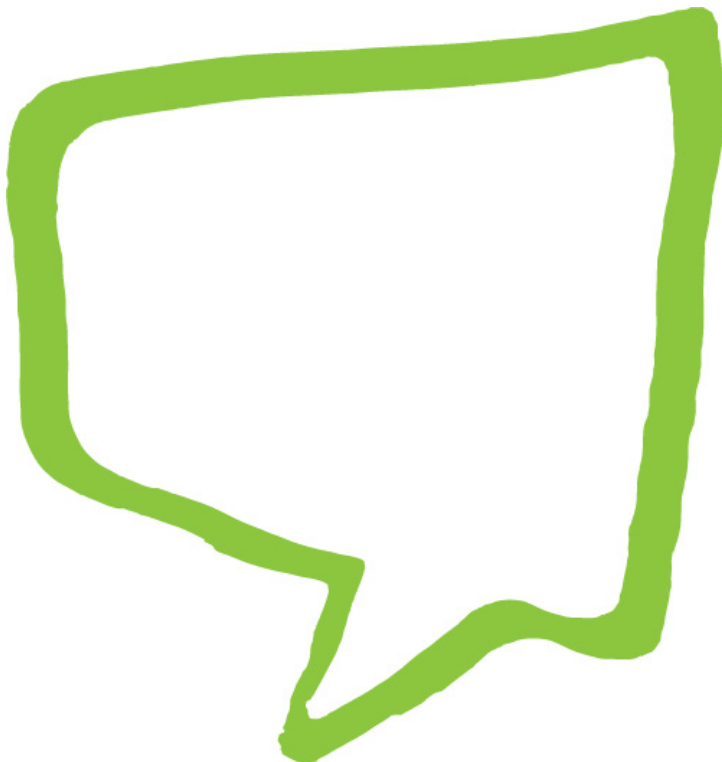
Certification of Claims and Returns

Annual Report

Rossendale Borough Council

Audit 2008/09

February 2010



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- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

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 our findings from the certification of 2008/09 claims at Rossendale council. 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 Rossendale Borough Council receives more than £19.9m funding from various grant-paying departments, which is subject to external audit certification. Additionally, the Council is responsible for collecting non-domestic rates (NNDR) to the value of £11.9m. This is paid over to the national pool and an auditor certified return is required.
- 2 The grant-paying departments attach conditions to the grants and returns and the Council must show that it has met these conditions. 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. If the Council cannot evidence compliance with grant conditions, the funding can be at risk.
- 3 In 2008/09, my audit team certified 4 claims with a total value of £31.8 million (see Appendix 2). We carried out a limited review of two claims and a full review of the other two claims (Paragraph 10 explains the difference). We requested two claims to be amended since we identified errors in completion.
- 4 The fees I charged for grant certification work in 2008/09 were £19,731 plus VAT. The fee charged in 2007/08 was £16,903 plus VAT. The increase in fee was due to the extra work we needed to do on the NNDR 2008/09 return because of fundamental changes to NNDR empty property relief element of the return. Our audit resulted in reducing the amount the Council was required to pay to the National Pool by £82,992.

Significant findings

- 5 The control environment the Council has in place for the production of these claims is good and, where possible, I have relied on it. Officers identify the grant terms and conditions and review these to ensure the Council complies with them. Information is available to confirm entitlement to the appropriate grant and this is supported by comprehensive documentation. There are appropriate controls in place to monitor the grant expenditure.

Actions

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

Background

- 7 The Council completes claims and returns with a total value of £31.8 million to grant-paying departments that require an external audit certificate. This is clearly significant to the Council and it is therefore important that this process is properly managed. In particular this means:
 - an adequate control environment exists for each claim and return; and
 - 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 Rossendale 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.

- 11 The work that we undertake to certify the Housing Benefits claim for the Department for Work and Pensions is slightly different. Because of the high value and high risk nature of the claim, the auditor has to test the entries on a Council's claim form. In doing this we:
- confirm that the subsidy claim has been completed using the recognised software for claim completion;
 - undertake an analytical review for a year by year comparison and comparisons to other Councils; and
 - carry out detailed testing of individual claims for benefit to ensure the Council is calculating benefit entitlement correctly and reporting accurate performance information to the Department of Work and Pensions.

Findings

Control environment

- 12 The control environment the Council has in place for the production of these claims is good and, where possible, I have relied on it.

Specific claims

- 13 The Housing and Council tax benefits claim required only minor classification amendments, but the overall amount of the claim was unchanged. Our testing was completed in line with the national arrangements as outlined in paragraph 11.
- 14 The NNDR return was amended by £82,993, to reflect the adjustment of "losses in collection" identified during the audit. These related to old uncollected amounts where the payer is untraceable and the amounts have not previously been written off. There were fundamental changes to the NNDR regulations concerning property relief on empty premises, which required additional testing.
- 15 The Disabled Facilities Grant of £294,000 was subject to limited testing, as per our current arrangements as detailed in paragraph 10. The claim was completed correctly.
- 16 The claim relating to Rossendale's Sustainable Economic Development Programme required a minor amendment. Although the claim for 2008/09 was only for £93,442, the total value of the project over its three year lifecycle is above the £100,000 threshold. Therefore, the claim was subject to limited testing, as per our current arrangements as detailed in paragraph 10.

Recommendation
R1 Ensure that claim forms are completed as per the funding body's instructions.

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	19,522,731	Yes	No	No
NNDR3	11,910,467	Part	Yes	No

Claims below £500,000

Claim	Value £	Amended	Qualification letter
Disabled Facilities Grant	294,000	No	No
Rosendale's Sustainable Economic Development Programme	93,442 *	Yes	No

* Total value of project over three years is over the £100,000 threshold, so an annual certification is required.

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Claims and Returns Report 2008/09 - Recommendations						
7	R1 Ensure that claim forms are completed as per the funding body's instructions.	Low				

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