

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

**Rossendale 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 its auditors that it has met the conditions attached to these grants. Also, the Council must ensure that it has complied with regulations for compiling financial returns.**

**This report summarises the findings from the certification of 2009/10 claims and returns. 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 £23 million funding from government 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. Additionally, the Council is responsible for collecting non-domestic rates to the value of £11 million which are paid over to the national pool and for which an audited return is required. It is therefore important that the Council manages certification work properly and can show to us, as auditors, that the relevant conditions have been met.

**2** In 2009/10, my audit team certified four claims with a total value of more than £34 million. Of these, we carried out a limited review of three claims and a full review of one claim (paragraphs 8 and 9 explain the difference). I did not issue any qualification letters to government departments. For one of the claims, a minor amendment was necessary which had no effect on the funding received by the Council. The other three claims were not amended. Appendix 1 sets out a full summary.

**3** The fees I charged for certification work in 2009/10 were £19,165 compared to our earlier estimate of £25,000 set out in our 2009/10 Audit Fees Letter.

## Significant findings

4 I am pleased to be able to report that our certification work did not identify any concerns about the Council's arrangements. I have therefore made no recommendations for improvement.

# Background

**5** The Council completes claims and returns to government departments with a total value of £34.4 million. This reflects a major part of the Council's activities and 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.

**6** 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 Borough 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.

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

**8** 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 good.
- 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.

**9** The work I undertake to certify the Housing and Council Tax Benefits Subsidy claim for the Department of Work and Pensions (DWP) is scoped differently. DWP require, because of the high value and inherently high risk nature of the claim, a full review each year. These tests include:

- confirming that the subsidy claim has been completed using the recognised software for claim completion;
- undertaking an analytical review for a year by year comparison and comparisons to other Councils; and
- carrying out a detailed testing of individual claims for benefit to ensure the Council is calculating benefit entitlement correctly.

**10** I have assessed that the control environment at Rossendale is good and we have continued to maintain very good working relationships with the officers. Appendix 1 details the level of testing applied to each claim

### **Specific claims**

**11** My testing in respect of all four returns did not identify any significant concerns. No claims were qualified, and the only claim which was amended slightly related to the funding of the Sustainable Economic Development Programme. This amendment was merely a small revision to the funding data to reflect a £4,000 underspend in the previous year. This had no impact of the Council's claim for 2009/10.

## Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £	Adequate control environment	Level of testing	Amended	Qualification letter
Housing and Council Tax Benefit Subsidy	22,579,423	Yes	Full review - DWP requirement	No	No
National Non- Domestic Rates Return	11,343,142	Yes	Limited review	No	No

Table 2: **Claims between £125,000 and £500,000**

Claim	Value £	Level of testing	Amended	Qualification Letter
Disabled Facilities Grant	353,000	Limited review	No	No
Sustainable Economic Development Programme	84,300 (266,031 over the life of the claim)	Limited review	Yes - but no impact on 2009/10 claim	No



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