

Certification of Claims and Returns

Annual Report

Bracknell Forest Council

Audit 2008/09

February 2010



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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 the findings from the certification of 2008/09 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 Bracknell Forest Council receives more than £110m 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 that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In 2008/09, my audit team certified five claims with a total value of £88million and issued qualifying letters to the grant-paying body on two of these. Appendix 1 sets out a full summary.

Significant findings

- 3 We were able to place significant reliance on the Council's control environment for our audit of grant claims. The main findings related to Council Tax and Housing Benefit and these have been discussed with officers.

Certification fees

- 4 The fees I charged for grant certification work in 2008/09 were £58,843.

Actions

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

Background

- 6 The Council claims £110m from grant paying departments. As this is significant to the Council's income it is 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.
- 7 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 Bracknell Forest 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.
- 8 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 9 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.

Findings

Control environment

10 I sought to rely on the control environment, in particular Internal Audit work for much of our certification work. I also used assurance from our testing of key financial systems as part of our audit of the Statement of Accounts. Some additional grant testing was carried out. This was mainly focussed on updating our risk assessment and on issues identified in 2007/08 work to assess if progress had been made.

Specific claims - housing benefit and council tax

- 11** The housing and council tax benefit claim is inherently high risk and complex. For this reason I am required to carry out detailed testing specified by the Audit Commission and the Department for Work and Pensions. Any errors found have a significant impact on the extent of testing required under certification requirements. There are three issues which I need to report.
- 12** I found one case of a claimant's bank account being included twice in the assessment of the benefit entitlement. This required additional testing which the Council undertook and I assessed.
- 13** I found two cases of parameters incorrectly input to the system:
- the parameter for the second child benefit rate was input as £12.25 instead of the correct rate of £12.55. This resulted in an overpayment to claimants. The Council calculated the number of affected claims as 465, with a maximum overpayment of £2,325. The affected cases will be corrected in 2009/10 and the resulting overpayment will be included in the subsidy claim form for that year as LA error overpayments which attracts nil rate of subsidy.
 - the parameter for the single disability premium was entered as £25.80 instead of the correct rate of £25.85. As our audit uncovered this error before the final claim was run at the end of the year, the error was corrected before the form was submitted to the Department for Work and Pensions.
- 14** The benefits subsidy claim analyses benefit paid in various entries known as cells. The rate of subsidy varies for cells and is dependent on benefit regulations and, for overpayments, the cause of that overpayment. My testing requires me to check that cases picked for audit testing are correctly classified in cells on the subsidy claim form. I found some misclassification between rent rebate for former council tenants and rebates paid for bed and breakfast claimants. This required additional testing which was carried out by the Council and checked by me. Further errors were identified by this testing and reported in my qualification letter. The department has since confirmed that there will be no adjustment to subsidy claimed for 2008/09 in respect of these errors.

- 15 For future audits we are discussing with officers the potential to obtain clearer audit trails for each cell within the subsidy claim form.
- 16 The Council will be replacing its revenue and benefits system in October 2010. This will add to the workload of both officers and auditors. It will impact mainly on the 2010/11 claim, but I will still have to complete the 2009/10 work during this period of change. I am working together with internal audit to ensure that additional work is kept to a minimum.

Specific claims - Sure Start and Early Years and Childcare grant

- 17 I made minor qualifications including notifying the Department for Education and Skills of expenditure £5,641 relating to previous years before 2008/09. The department has decided not to claw back this prior year funding via an audit adjustment, however, it will adjust the capital carry forward for the related years.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Service	Claim	Value £	Amended	Qualification letter
Housing	Housing and council tax benefit	26,210,761	No	Yes
Education	Sure Start grant	1,757,550 (revenue) 698,337 (capital)	No	Yes
Education (return prepared by Finance)	Teachers Pensions return	6,067,469	No	No
Finance	National non domestic rates return	53,008,931	No	No

Claims between £100,000 and £500,000

Service	Claim	Value £	Amended
Environmental Health	Disabled facilities	218,000	No

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						
	R1 Housing and council tax benefit - review the system for updating parameters to ensure that all parameters are correctly entered and checked at the start of the year.	3	Benefit Service Manager	Yes		2009/10 claim
	R2 Housing and council tax benefit - ensure staff classify cases correctly for subsidy purposes when assessing claims.	3	Benefit Service Manager	Yes		2009/10 claim
	R3 Housing and council tax benefit - Improve the accessibility of audit trails for entries on the subsidy claim.	3	Benefit Service Manager	Yes		2009/10 claim

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