

Certification of claims and returns - annual report

Bracknell Forest Council

Audit 2010/11



Contents

- Introduction.....3**
- Summary of my 2010/11 certification work.....4**
- Results of 2010/11 certification work.....5**
 - Housing and council tax benefits subsidy claim6
 - National non-domestic rates return9
 - Teachers' superannuation return.....10
 - Sure Start grant claim.....11
 - Disabled facilities grant12
- Summary of progress on previous recommendations13**
- Summary of recommendations20**
- Summary of certification fees22**

Introduction

Local authorities claim large sums of public money in grants and subsidies from government departments and other grant-paying bodies and must complete returns providing financial information to government departments. My certification work provides assurance to government departments and grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998 the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where the Audit Commission arranges certification it issues instructions setting out the work auditors must complete before giving their certificate. The work completed varies according to the value of the claim or return and the requirements of the government department or grant-paying body. Broadly for claims and returns:

- below £125,000 - I carry out no work;
- from £125,000 and £500,000 – I undertake limited tests to agree form entries to underlying records, but do not test the expenditure or data is eligible; and
- over £500,000 - I plan and perform my work following the certification instruction. I assess your control environment for preparing the claim or return and decide how much I can rely on your controls. Based on my assessment, I tailor my approach to agree form entries to underlying records and test the expenditure or data is eligible.

Where I agree it is necessary you can amend your claim or return. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you do not comply with scheme terms and conditions.

Summary of my 2010/11 certification work

You have performed well in preparing claims and returns. There have been improvements in the preparation of the Housing Benefit and Council Tax subsidy claim and fewer errors have been identified compared to 2009/10. However, further work is still required in this area.

As a result of my team's work you amended three of the five claims and returns for the year ended 31 March 2011 that you presented for certification, I issued two qualification letters with the certificates on your claims and returns.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value certified	
■ claims	£40,351,868
■ returns	£55,335,110
Number of claims and returns certified	5
Number of amended due to errors	3
Number where I issued a qualification letter	2
Total cost of certification work	£83,402

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues.

Details of work on each claim or return is set out below.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£35,934,000	No - this claim falls outside the arrangements set out in the introduction above because of its size and complexity.	£12,556	Yes – more detail is set out below
National non-domestic rates return	£48,697,000	No - due to change of NDR system in year.	0	No
Teachers' pensions return	£6,638,000	Yes	£19	No – more detail is set out below

Claim or return	Value of claim or return presented for certification	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Sure start, early years and childcare grant and aiming high for disabled children grant	£4,119,000	Yes	(£31,406)	Yes – more detail is set out below

Further details of my work on each of the claims and returns are set out below.

Housing and council tax benefits subsidy claim

This is the largest claim by fee charged.

Scope of work	Results
Value of claim presented for certification	£35,934,000
Limited or full review	Full
Control environment relied on	No - this claim falls outside the arrangements set out in the introduction because of its size and complexity.
Amended	Yes – increased by £12,556
Qualification letter	Yes
Fee – 2010/11	£70,677
Fee – 2009/10	£67,345

Councils run the government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits.

I reported in January 2011 that the testing on the 2009/10 Housing Benefit and Council Tax claim found a high level of errors. In response an action plan was agreed with the Council. Table 4 sets out progress against this alongside the results of my 2010/11 work.

I have also made recommendations arising from the 2010/11 work in table 5.

I certify the claim using detailed instructions agreed between the DWP and the Audit Commission. Among other tests, I have to test an initial 'discovery' sample of the main types of subsidy. If errors are found in that initial sample, I have to evaluate them and assess whether I need to carry out further testing.

The 2010/11 claim was complicated as the Council changed its revenues and benefits system in October 2010. I found a variety of errors in my initial discovery sample. Due to these and the high level of errors identified in the 2009/10 claim, I therefore had to carry out significant extra testing. This additional testing was designed to give the DWP the information it requires to determine if further action is needed.

The overall results of both the initial and additional testing led to the claim being amended. As a result, subsidy payable to the Council increased by £12,556. Although the number of errors found was less than in previous years, I still found it necessary to qualify the claim. This means there were parts of the claim which I could not conclude were fairly stated. I issued a qualification letter to the claim setting out my findings for the DWP. The main types of errors are set out below.

Earnings miscalculation

I found three errors in how claimants' earnings had been calculated. This led to both overpayments and underpayments of benefit to claimants. The Council receives less subsidy for errors it has made if it exceeds the threshold set for the Council by the DWP for LA error. The type of errors found included pension contributions being entered incorrectly, tax deducted twice, a tax refund treated as income, and payslips not used to update assessments.

As a result of this, and due to the level of errors we found in 2009/10, I had to carry out additional testing. Unlike 2010, I found no further errors from our additional testing.

We reported for the 2009/10 claim that the Benefits team have a checklist which sets out how judgements have been reached but I found that it was not used consistently or correctly. This would provide a trail for staff who assess cases at later dates. It would also help managers both in their sample check of cases and in assessing training needs. Finally, it may help reduce audit input when certifying the claim. We found in 2010/11 there was still scope for improvement particularly for cases reported in Pericles (the legacy system). We checked a random sample of six cases and found it difficult to establish the audit trail for which payslips had been used to calculate earnings. Officers inform us that there is a facility in Northgate to allow officers to document judgements instead of the previous checklist. We recommend that the Benefits team use this or determine another solution to ensure there is a clear trail consistently and comprehensively used by officers to record their decisions.

Misclassification of expenditure

The claim is made up of several entries or 'cells' for different types of benefit granted. The certification instructions require me to test whether cases have been correctly coded to the cells within the claim. I found examples in the original discovery sample where cases had been incorrectly analysed between cells. I therefore had to carry out further detailed testing to establish the extent of errors. There were three main areas of error.

- Council Tax overpayments – I found three errors in the initial sample and six further errors from additional testing. Similar issues occurred in 2009/10. There was a change in regulations for 2010/11 in respect of the classification of overpayments when a claimant has died. Officers inform us that was not possible to update the Pericles software for this. No manual adjustments were made to the subsidy claim to correct this so our testing revealed errors. The impact of this on subsidy received by the Council will depend on whether this, combined with other errors, exceeds the error threshold set by the DWP for LA error.
- Backdates – the initial sample and further testing found several errors. There was no subsidy impact from these.
- Non HRA rent rebates - this error also occurred in previous years' claims. As the number of cases is relatively small I suggested the Benefits team check all cases before I started work on the 2010/11 claim. Staff carried out a review early in the year and reclassified cases. A further review was carried out in March 2011. This led to some properties being reclassified for a second time but only for periods going forward. No adjustment was made for the majority of the year tested so I reported this. There was no subsidy impact.

Invalid subsidy entries

Our testing identified cases of non HRA rent rebates which were systems errors and should not have been included in the claim. The Council carried out additional work and this resulted in the amendment to the claim of £12,556.

Start dates

I found three errors on start dates and the additional testing found a further five cases. With the exception of one case, these led to underpayment of benefit to claimants.

National non-domestic rates return

This is the largest claim or return by amount certified.

Scope of work	Results
Value of return presented for certification	£48,697,000
Limited or full review	Full - due to the change of NDR system in 2010.
Control environment relied on	No - due to the change of NDR system in 2010.
Amended	No
Qualification letter	No
Fee - 2010/11	£5,034 -additional testing was required due to the change of system.
Fee –2009/10	£1,736

The government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the government.

I found no errors on the national non-domestic rates return and I certified the amount payable to the pool without qualification.

Teachers' superannuation return

Scope of work	Results
Value of return presented for certification	£6,638,000
Limited or full review	Limited
Control environment relied on	Yes
Amended	Yes
Fee - 2010/11	£1,215
- 2009/10	£602

The Department of Work and Pensions requires me to certify the return for the teachers' pension scheme, which works separately from the Local Government Pension Scheme. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the government.

The claim was amended for a transposition error and a refund error. The net effect was £19.

Sure Start grant claim

Scope of work	Results
Value of claim presented for certification	£4,119,000
Limited or full review	Limited
Control environment relied on	Yes
Amended	Yes – reduced by £31,406
Qualification letter	Yes
Fee - 2010/11	£2,167
- 2009/10	£1,635

The Council runs facilities under the SureStart scheme as part of providing pre-school education. The Department for Education requires me to check this claim and certify that spending meets government criteria.

The claim was reduced for redundancy costs included in error. The lead team on Sure Start do not have access to all cost centres and are therefore reliant on information and reports provided by other teams in the Council, who use differing formats and ways of working and recording information. Working papers therefore varied in quality; you did not cross-reference them clearly and the audit trail was, for part of the claim, difficult to follow. However, officers were helpful in providing additional papers. I reported minor differences between the claim and quarterly capital claims to the Department in the qualification letter.

No recommendations are made as this was the last year of the claim.

Disabled facilities grant

Table 3: Claims from £125,000 and £500,000

Scope of work	Results
Value of claim presented for certification	£299,000
Limited or full review	Limited
Control environment relied on	not applicable - below the threshold
Amended	No
Qualification letter	No
Fee – 2010/11	£120
Fee – 2009/10	£213

The disabled facilities grant funds adaptations, such as installing ramps and chairlifts, to allow disabled people to continue to live at home.

I found no errors on the disabled facilities grant claim and certified the claim without qualification.

Summary of progress on previous recommendations

This section considers your progress completing previous recommendations.

My report in 2009/10 made several recommendations for the Housing Benefit and Council Tax claim in January 2011. As a result Internal Audit (IA) carried out follow up work and spot checks in 2011/12. The table below shows the results of IA's work. The table also shows findings from my 2010/11 work – the samples covered the full period so many errors found predate both my 2009/10 report and IA's work in 2011. At the time of drafting this report, results of IA's fourth spot check were being discussed with officers.

Table 4: Summary of progress on recommendations from earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Comments – what were the results of my 2010/11 certification?	Results of Internal Audit's (IA) follow up work in 2011/12
1) Parameters <ul style="list-style-type: none"> ■ Ensure these are entered correctly as soon as possible in the year. ■ Ensure that this is independently checked. 	H, M or L	March 2011	Benefits Service Manager	No issues arose.	Internal Audit (IA) confirmed in May and June 2011 that 2011/12 parameters were correctly updated and entered into Northgate, and the Chief Officer Housing checked that rates used had been independently reviewed and checked to the DWP circular.

Agreed action	Priority	Date for implementation	Responsible officer	Comments – what were the results of my 2010/11 certification?	Results of Internal Audit's (IA) follow up work in 2011/12
<p>Maintain documentary evidence of this - so that further audit queries can be dealt with efficiently and quickly.</p>	H, M or L				
<p>2) Take urgent action to reduce the level of errors found in classifying expenditure. Carry out staff training and stress the importance of coding expenditure correctly to staff, particularly overpayments. Carry out test checking of cases to assess progress made and any further action including training needs.</p>	H	March 2011	Benefits assessment Manager	<p>Errors were found in my testing for classifying overpayments, non HRA rent rebates and backdates. Errors were at a similar level to 2009/10.</p>	<p>IA reported the system selects a 10 per cent sample of new claims and changes of circumstances (5 per cent of each). A senior officer checks each selected claim for accuracy including earnings, audit trail and classification. At August 2011 the service standards monitoring spreadsheet for 2011/12 confirmed that 10.07 per cent of new claims/changes of circumstances had been checked.</p> <p>IA reviewed the training programme for assessors for 2011/12 and reported it had been developed based on the findings from supervisors and sample checks of claims.</p> <p>IA noted from its third spot check a classification issue for one rent allowance.</p>

Agreed action	Priority	Date for implementation	Responsible officer	Comments – what were the results of my 2010/11 certification?	Results of Internal Audit's (IA) follow up work in 2011/12
	H, M or L				
3) Review non HRA cases in advance of certification work to ensure they are correctly classified. Ensure there is evidence on file to support their classification.	M	March 2011	Control and Support Officer	There was evidence of checking of cases. However, some cases were reclassified incorrectly for periods going forwards and my testing identified further errors.	<p>IA has recommended from its third spot check that checking be focussed on non Income Support cases where the scope for manual errors is greatest.</p> <p>IA found that non HRA cases are now checked by a senior officer and this includes classification.</p>
4) Take urgent action to reduce the level of errors found calculating earnings. Carry out test checking of cases to assess progress made and any further action including training needs.	H		Benefits assessment Manager	I found errors in assessment of earnings but they were fewer than in 2009/10.	As noted for recommendation 2, IA confirmed as at August 2011 that 10.07 per cent of new claims and changes of circumstances had been checked and that the training programme had been developed based on needs identified from findings of supervisory checks.

Agreed action	Priority	Date for implementation	Responsible officer	Comments – what were the results of my 2010/11 certification?	Results of Internal Audit's (IA) follow up work in 2011/12
	H, M or L				<p>In its third spot check in August 2011 IA found earnings calculations to be satisfactory and a minor input error for one CTB claim.</p> <p>IA has recommended from its third spot check that checking be focussed on non Income Support cases where the scope for manual errors is greatest.</p>
5) Ensure there is a clear audit trail on the benefits system of how assessors have reached judgements on benefits entitlement.	H		Benefits assessment Manager	<p>There remains scope for improvement. There is a proforma available but I found it was not used consistently and in some cases was not completed comprehensively. Officers inform us that there is an automatic trail in Northgate.</p>	<p>IA confirmed that the supervisory checks undertaken as noted under recommendation 2 include checking the audit trail of documents to support assessors' judgements.</p> <p>At August 2011 the service standards monitoring spreadsheet for 2011/12 showed 10.07 per cent of new claims/changes of circumstances had been checked.</p> <p>IA's third spot check noted a minor input error with no impact on entitlement.</p>

Agreed action	Priority	Date for implementation	Responsible officer	Comments – what were the results of my 2010/11 certification?	Results of Internal Audit's (IA) follow up work in 2011/12
	H, M or L				
				Whichever method is used, the focus should remain on ensuring it is clear which evidence has been used and where it can be located.	
6) Carry out risk based checking of claims to assess if benefit entitlement has been correctly calculated.	H		Benefits assessment Manager	The Benefits team have provided evidence of risk based checking of claims as at December 2011.	IA confirmed that all claims over £1,000 were checked by a senior officer from April to August 2011. IA has recommended from its third spot check that checking be focussed on non Income Support cases where the scope for manual errors is greatest.
7) Ensure that benefit managers are able to interrogate the Northgate system to allow errors found as part of certification testing to be quantified.	M	March 2011	Benefits Service Manager	Staff were able to run some reports but were not able to provide all the analysis we requested.	IA confirmed training on Northgate was provided, and that manuals for management information and reports and a user guide for officers are available.

Agreed action	Priority	Date for implementation	Responsible officer	Comments – what were the results of my 2010/11 certification?	Results of Internal Audit's (IA) follow up work in 2011/12
	H, M or L				
				particularly with data from the legacy system Pericles.	
8) Allocate staff of sufficient skill and experience early in the certification work to ensure that queries are dealt with adequately and promptly, and to carry out 40 plus testing to the required standard.	H		Benefits Service Manager	Staff of sufficient skill were allocated. This was a complex year with cases spanning 2 systems. Some queries related to detailed cases in the legacy system which was no longer supported. It therefore took time for queries to be answered adequately and promptly. 40+ testing carried out was of better quality.	IA reported that the Benefits Assessment Manager and System Control officer were assigned to deal with queries on certification work.

Agreed action	Priority	Date for implementation	Responsible officer	Comments – what were the results of my 2010/11 certification?	Results of Internal Audit's (IA) follow up work in 2011/12
	H, M or L				
<p>9) The Council should establish an action plan with clear timescales and responsibilities to:</p> <ul style="list-style-type: none"> ■ address the findings of this report; ■ ensure there is a clear audit trail for the entries for the 2010/11 claim; and ■ ensure there is a timetable to meet the certification deadline. 	H	April 2011		<p>Internal Audit has carried out spot checks and followed up my previous recommendations.</p> <p>The Council made some manual adjustments to the claim – that is adjusted the output of the systems to compile the claim. Our queries on this took time to resolve.</p> <p>Due to the change of system, the level of errors found and additional testing required, the claim was not certified by the due date.</p>	<p>IA reported various documents were reviewed which supported stages of the process and the other recommendations had been implemented.</p>

Summary of recommendations

This section highlights the recommendations from my work and the actions agreed.

Table 5: Summary of recommendations arising from 2010/11 work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
	H, M or L			
Keep the focus on reducing the level of errors in awarding and claiming subsidy for Housing Benefit and Council benefit.	H	Agreed Maintain existing regime for checking assessment work and resolving errors.	Ongoing	Benefits Service Manager
Continue to reduce the level of errors in assessing earnings and ensure there is a clear trail of how assessments have been made.	H	Agreed as above Maintain existing checking regime to focus on non Income Support cases. Management is currently reviewing working practices and evidence required for audit trails.	1 April 2012	Benefits Service Manager
Reduce the level of errors in classification. Review the classification of cases in Northgate, in particular for errors found in 2010/11 such as non HRA rent rebates, regulated tenancies and overpayments.	H	Ongoing Proformas are prepared by Housing staff to demonstrate the type of accommodation. The Northgate system requires more information to be input before non HRA cases can be assessed.	Ongoing	Benefits Service Manager

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
	H, M or L			
		Officers are to ensure it is set up to reflect correctly classification of non HRA cases.		
Ensure changes in benefit regulations, are reflected in the software and subsidy claim.	H	Agreed This was an issue with the legacy system. The software supplier will be ensuring changes are reflected in the supplied system.	Ongoing	Benefits Service Manager
Investigate why there are start date errors and provide training if required.	H	Agreed Being covered by refresher and ongoing training as part of checking process.	Ongoing	Benefits Service Manager
As audit queries are raised ensure staff are clear on what is required so action is planned to clear them promptly and effectively.	H	Agreed Use of proforma to record requests, actions and timescales agreed with auditors has been introduced.	Implemented	Benefits Service Manager

Summary of certification fees

This section summarises the fees for my 2010/11 certification work and highlights the reasons for any significant changes from 2009/10.

Table 6: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£70,677	£67,345	Not applicable.
National non-domestic rates return	£5,034	£1,736	Additional testing was required due to the change of NDR system in October 2010.
Teachers' pensions return	£1,215	£602	Amendment to claim was needed.
Sure start, early years and childcare grant and aiming high for disabled children grant	£2,167	£1,635	Due to errors found and the need to report.
Disabled facilities	£120	£213	Total variation is small.
Reporting and Management	£4,189	£3,125	A number of meetings have been held to agree the report
Total	£83,402	£74,656	

© Audit Commission 2012.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

