

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

**Blackburn with Darwen Council**

**Audit 2009/10**

**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.**

# Contents

<b>Summary</b> .....	<b>2</b>
Certification of claims.....	2
Significant findings.....	3
Certification fees.....	3
Actions.....	3
<b>Background</b> .....	<b>4</b>
<b>Findings</b> .....	<b>6</b>
Control environment.....	6
Specific claims.....	6
<b>Appendix 1 Summary of 2009/10 certified claims</b> .....	<b>8</b>
<b>Appendix 2 Action plan</b> .....	<b>9</b>

# 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 the auditors that it has met the conditions which attach to these grants. This report summarises the findings from the certification of 2009/10 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** Blackburn with Darwen Council received more than £126 million funding (which is audited by the Audit Commission) from various grant paying departments in 2009/10. 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** My audit team certified 12 claims with a total value of £126 million. Of these, we carried out a limited review of six claims and a full review of six claims (paragraph 10 explains the difference). I amended five claims for errors, although only one of these, the National Non Domestic rates return involved an adjustment to the value of the claim. For the Housing Benefit claim, I was unable to fully certify the claim and issued a qualification letter to the grant-paying body, the Department for Work and Pensions. I also issued a qualification letter on the National Non Domestic Return because of problems with the new deferral scheme. Appendix 1 sets out a full summary.

## Significant findings

**3** I found most of the claims were compiled in accordance with the scheme rules and met the conditions of the certification instructions. I was able to certify all of the claims by the required deadlines. I identified errors in the housing benefit claim mainly around the application of single person discount and eligible overpayments in rent allowance cases. Nonetheless the extrapolated errors I reported at just over £100,000 are relatively small in relation to a total claim of over £64 million. In addition I identified errors in the application of a new aspect of the National Non Domestic Rates Return on the deferral scheme where I have reduced the value of the claim by £54,000 because of the errors I identified in my testing. I am satisfied that officers are actioning the recommendations I made last year about the issues relating to the Highcroft Children's Centre within the Sure Start claim.

## Certification fees

**4** The cost of grant certification fees in 2009/10 was £61,000 plus VAT, an increase of £2,000 on the fees for last year. This is mainly because of errors within the Housing Benefit claim which involved more testing than last year and I have certified 12 claims this year compared to nine claims in 2008/09.

## Actions

**5** Appendix 2 summarises my recommendations. I have agreed these recommendations with officers.

# Background

**6** The Council claims £126 million for specific activities from grant paying departments that is audited by the Audit Commission. 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 Blackburn with Darwen 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 £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. The control environment covers the arrangements' for preparing and controlling the claim and an assessment of the overall level of risk involved with a particular claim. 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. However I am required to undertake all of the tests in the certification instruction in every case every three years. This is to confirm my understanding of the control environment and that it is appropriate to place reliance or to continue to place reliance upon it
- 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 work that I undertake to certify the Housing Benefits claim for the Department of Work and Pensions is undertaken under slightly different arrangements. As a result of the high value and high risk nature of the claim, testing of the entries on a council's claim form is required. In doing this I confirm the subsidy claim has been completed using the recognised software for claim completion and undertake an analytical review for a year on year comparison and comparisons to other councils. I 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

**10** The Council has appropriate arrangements in place, overall, to produce its grant claims and returns. I am able to place reliance on the Council's control environment. My staff work closely with relevant officers within Corporate Finance to identify claims and returns requiring certification and agree timescales for the audit of these claims and returns to ensure certification deadlines are achieved. This year I met all the required certification deadlines.

**11** 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 usually supported by comprehensive documentation and timely responses to our enquiries. There are appropriate controls in place to monitor grant expenditure.

## Specific claims

**12** A change to the National Non Domestic Rates Return was introduced in 2009/10 with the introduction a new deferral scheme. This involved billing authorities deferring a portion of any increase in the 2009/10 demand caused by retail price index inflation and the end of the previous transitional relief. These deferred amounts can be paid in equal instalments over 2010/11 and 2011/12. In my testing I found errors in the report supporting the claim total of £235,205. I found that some £49,081 was overstated in the claim when I checked this to the supporting claim forms. In addition in my sample officers could not locate two application forms which meant I reduced the claim by a further £5,081. As a result I reduced the total claim by £54,162. In previous years I have not identified any significant errors in the compilation of this return and the errors this year related to a new part of the claim around the deferral scheme.

**13** The Council's Housing Benefit claim for £64.3 million is a complex claim. This year I identified errors in three specific areas and I needed to extend my initial sample testing. I am required to extrapolate from the errors I find to report the potential errors on the claim. In total the adjustments I reported to the Department for Work and Pensions (DWP) were just over £100,000 and the DWP will determine whether the Council will lose any subsidy once they have considered my report.

**14** I found errors in my testing of rent allowances where the Council misclassified errors as an 'eligible' error for which it receives subsidy rather than a 'local authority' error for which it receives no subsidy. The potential adjustment I reported to DWP is £61,007.



**15** I found errors in the cases tested where the single person discount had not been awarded when it should have been awarded. Based on my extended sample of cases tested I reported to the DWP a potential adjustment of £31,714.

**16** In May 2010 the Council reviewed the rents and service charges of its 'dispersed properties' (essentially the hostels within the Borough) and retrospectively increased the rent element of its charges which then involved cases relating to earlier years. Officers have been unable to identify any regulations that permit the retrospective application of this approach. The potential adjustment I have reported to DWP is £9,910.

**17** I have identified significantly more errors this year than I have done in previous years on the housing benefit claim. The retrospective increases in the rent charges for the hostels appear to be a one off errors in relation to eligible overpayment and single person discounts. However they indicate the need for more quality control checking and training for staff.

**18** In total five claims have been amended this year. I have set out the details in appendix 1. The amendments did not impact on the amount of grant claimed by the Council other than for the National Non Domestic Rates Return which I have commented on in paragraph 12.

**19** Last year I identified issues with the letting of the contract for the refurbishment of the Highercroft Children's Centre within the Sure Start claim. Further work has been undertaken by both the Council's audit and assurance team and my audit team. I reported my findings to the Council's Audit committee in September 2010. I am satisfied that the Council is taking appropriate action to address my recommendations.

## Appendix 1 Summary of 2009/10 certified claims

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

Claim	Value £	Amended	Qualification letter
Housing & Council Tax Benefit	64,335,247	No	Yes
National Non Domestic rates	39,052,855	Yes	Yes
Teachers Pension	10,497,210	Yes	No
Sure Start	9,019,442	No	No
Single Programme - Town centre Renaissance **	2,020,635	No	No
Disabled Facilities Grant	612,000	Yes	No

\*\*Also certified final claim relating to 2010/11 for £40,000

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

Claim	Value £	Amended
Local Transport Grant	412,000	No
Local Transport Grant (2008/09)	91,608	No
Single programme - Freckleton Street	321,889	No
Single Programme - Ellchex	253,017	Yes
Single Programme - Business Start Up	103,256	Yes

## Appendix 2 Action plan

### Recommendations

#### Recommendation 1

Ensure the level and focus of quality control checking and training for staff within housing benefits team is appropriate.

<b>Responsibility</b>	Andrew Ormerod/Elizabeth Hall
<b>Priority</b>	Medium
<b>Date</b>	Implement immediately
<b>Comments</b>	A more robust and thorough approach to checking the accuracy of claim assessment is being implemented. Working closely with the Council's Client Team, Capita Benefits will increase the number of checks and provide an analysis of the results on a monthly basis.

#### Recommendation 2

Ensure appropriate checks are introduced in the processing of claims for the deferral scheme within the NNDR return.

<b>Responsibility</b>	Andrew Ormerod/Elizabeth Hall
<b>Priority</b>	Medium
<b>Date</b>	Implement immediately
<b>Comments</b>	It is agreed that additional monitoring of referral processing and reporting will commence immediately.

If you require a copy of this document in an alternative format or in a language other than English, please call:  
**0844 798 7070**

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.



Audit Commission

1st Floor  
Millbank Tower  
Millbank  
London  
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946