

Certification of claims and returns - annual report

Blackburn with Darwen Borough Council

Audit 2010/11



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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to 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 such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of my 2010/11 certification work

The Council has effective arrangements in place to prepare accurate claims and returns

I found most claims had been prepared in accordance with the relevant terms and conditions. The Housing and Council Tax Benefit Subsidy claim was subject to a qualification letter. The issues identified were similar in nature to those identified in previous years.

My work gave rise to minor amendments on four claims, although only one of these involved an adjustment to the value of the claim.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£131,112,329
Total number of claims and returns certified	7
Number of claims and returns amended	4
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	1
Total cost of certification work	£50,273

Results of 2010/11 certification work

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

Table 2: Claims and returns certified in 2010/11

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£68,120,181	-	Yes – see paragraphs 5 to 8 below
National non domestic rates return	£39,635,966	-	No
Sure start, early years and childcare grant, and aiming high for disabled children	£11,256,844	-	No
Teachers' pensions return	£10,844,462	£473	No
Disabled facilities grant	£622,000	-	No
Single programme – Business start up	£467,550	-	No
Single programme – Economic Development	£164,853	-	No

The housing and council tax benefit subsidy claim is a high value and complex claim. Certifying the housing and council tax benefit subsidy claim involves testing a sample of benefit cases to confirm that the Council has paid the correct amount to benefit claimants and claimed the correct amount of subsidy due from the Department for Work and Pensions (DWP).

My work is undertaken in accordance with certification instructions which have been agreed with the DWP. These instructions require me to test an initial sample of claimant cases covering each of the three types of benefit paid by the Council. When errors are found in the initial sample I am required to undertake additional testing on those sections of the claim affected by the errors detected. Where the claim was subject to qualification in the previous year, I am required to undertake a larger initial sample on those sections of the claim affected by errors in the previous year.

My testing of the Council's 2010/11 housing and council tax benefit subsidy claim identified errors in three main areas. The errors identified were similar in nature to those identified in previous years and included the following.

- Testing of rent allowance overpayments identified cases where the overpayment type had been incorrectly classified by benefit assessors. The Council receives different levels of subsidy depending on the classification of the overpayment and therefore it is important that overpayments are correctly identified and classified. Errors in the classification of overpayments may result in the Council claiming the incorrect amount of subsidy from DWP, and may result in financial loss to the Council.
- Testing of council tax benefit expenditure identified cases where the single person discount had not been applied to single occupancy properties. The Council should only pay benefit, and can only claim subsidy, up to the amount of council tax due from the claimant. Where the Council does not correctly apply the single occupancy discount to the council tax benefit awarded, the Council is overstating the amount of subsidy due from DWP.
- Testing of excess council tax benefit identified cases where the excess benefit had been incorrectly classified by the system. We understand that a system fix has now been applied which will ensure that excess benefit is correctly classified in future claims.

Where I identify errors in the housing and council tax benefit subsidy claim I am required to extrapolate the errors and report the impact of the potential errors (based on extrapolation) to the DWP. DWP will determine whether any further work is required by the Council or whether any adjustments are to be made to the subsidy paid to the Council.

The errors identified were similar in nature to those identified in the 2009/10 claim. Following the audit of the 2009/10 claim, the Council agreed an improvement plan to enhance performance monitoring in the benefits service and we understand that additional checks were implemented from March 2011. As the changes were implemented in the final month of 2010/11 we cannot yet assess whether the additional checks have reduced the number of errors in the subsidy claim.

Recommendation

R1 Continue to enhance arrangements for quality control checks and training in the housing benefits team to reduce the number of errors in the housing and council tax benefit subsidy claim.

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

Table 3: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Responsible officer	Comments
Ensure the level and focus of quality control checking and training for staff within the housing benefits team is appropriate.	Medium	Andrew Ormerod / Elizabeth Hall	My testing of the Council's 2010/11 housing and council tax benefit subsidy claim identified errors that were similar in nature to those identified in previous years. There remains scope for the Council to improve quality control checks and training within the housing benefits team to minimise such errors.
Ensure appropriate checks are introduced in the processing of claims for the deferral scheme within the NNDR return.	Medium	Andrew Ormerod / Elizabeth Hall	My testing of the NNDR return for 2010/11 did not identify any errors relating to the deferral scheme.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
R1 Continue to enhance arrangements for quality control checks and training in the housing benefits team to reduce the number of errors in the housing and council tax benefit subsidy claim.	Medium	<p>Following the results of the External Audit certification of Housing and Council Tax subsidy claim for 2009/10, and subsequent discussions in late January 2011, the approach to performance and quality management was reviewed by Blackburn with Darwen Client Team and Capita. An improvement plan was agreed and implemented in March which significantly enhanced the number and extent of performance monitoring within the Benefits Service.</p> <p>From March 2011 the Capita Assessment Teams increased the amount of work checked to approximately 8 per cent of the monthly work load, focusing on complex areas and topics highlighted by External Audit. In addition to the performance management of individuals, a series of training programmes have also been delivered across the assessment function, these have included Effective dates, Underlying entitlement and Overpayments. The Council and Capita are currently monitoring the effectiveness of these checks and will, if necessary, make further improvements.</p>	Ongoing	Elizabeth Hall / Andrew Ormerod

Summary of certification fees

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

Table 5: 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	£37,646	£33,367	Fee in 2010/11 includes additional follow up work relating to the 2009/10 qualification at the request of DWP. Additional testing was also required on the 2010/11 claim due to qualification issues in 2009/10.
National non-domestic rates return	£2,290	£5,245	Reliance placed on the control environment in 2010/11. This reduced the level of testing required, resulting in a lower fee.
Teachers' pensions return	£3,216	£3,357	-
Sure start, early years and childcare grant and aiming high for disabled children grant	£2,184	£4,254	Reliance placed on the control environment in 2010/11. This reduced the level of testing required, resulting in a lower fee.
Disabled facilities	£1,522	£1,699	-
Single programme claims	£3,416	£9,986	Fee in 2010/11 covers the certification of two single programme claims. The 2009/10 fee was for the certification of five claims.
Local Transport Plan	£0	£2,894	No claim for certification in 2010/11.
Total	£50,273	£60,802	

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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.

