

# Certification of claims and returns - annual report

Salford City Council

Audit 2010/11



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# Introduction

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**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 in place, the Audit Commission's certification instructions to its auditors set out the work auditors must do before they give their certificate. The work that I need to do 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 did not need 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. I assessed 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.

I may amend claims and returns 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 Authority has performed satisfactorily in presenting claims and returns although there is some scope for improvement.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	19
Total value of claims and returns certified	£264,359k
Number of claims and returns amended due to errors	14
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 where there was a failure to comply with terms and conditions of the return or scheme	3
Total cost of certification work	£86k

In four of the cases where I amended the claim, the amendments affected the amount claimed. This resulted in a net overall increase of £373k.

I did not identify any issues arising from my certification work that could have a material impact on the accounts.

# Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work

Table 2: Claims and returns

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of claim or return certified (£'000)	Value of any amendments made (£'000)	Was a qualification letter issued?
<b>Above £500,000</b>					
Housing and council tax benefit claim	138,268	Not applicable	138,256	-12	Yes
Pooling of housing capital receipts	879	No	879	-	Yes
Housing finance base data return	N/A	No	N/A	N/A	No
National non-domestic rates return	68,895	No	68,895	-	Yes
Teachers' pensions return	12,872	No	12,872	-	No
Sure start, early years and childcare grant and aiming high for disabled children grant	12,488	Yes	12,488	-	No
Disabled facilities	1,020	No	1,020	-	No

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of claim or return certified (£'000)	Value of any amendments made (£'000)	Was a qualification letter issued?
New deal for communities	3,375	No	3,378	3	No
Single programme 2010/11 – Mediacity UK Infrastructure	1,021	Yes	1,021	-	No
Single programme – Quays Gateway M602 roundabout	883	Yes	883	-	No
Single programme 2010/11 – City of Salford Stadium	3,945	No	3,945	-	No
Single programme – Chapel Street	3,911	No	3,911	-	No
Single programme – Exchange Greengate	3,397 lifetime value (in year claim £141k)	No	3,397	-	No
Single programme – Cornbrook Metrolink to Quays	8,000 lifetime value (in year claim £821k match funding)	Yes	8,000	-	No
Single programme 2011/12 – Mediacity UK Infrastructure	610	Yes	891	281	No
Single programme 2011/12 – City of Salford Stadium	3,997 lifetime value (in year claim £52k)	Yes	3,997	-	No

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of claim or return certified (£'000)	Value of any amendments made (£'000)	Was a qualification letter issued?
<b>Between £125,000 and £500,000</b>					
HRA subsidy	-375	N/A	-274	101	No
Single programme – Mediacity UK Revenue	320	N/A	320	-	No
Single programme – CSURC Operating Costs	480	N/A	480	-	No
<b>Total</b>	<b>263,986</b>		<b>264,359</b>	<b>373</b>	

1 My certification work included claims which will have no certification requirement in future:

- housing finance base data return;
- new deal for communities;
- single programme grants.

I identified the following issues.

### **Housing Benefits and Council Tax Benefits Claim**

2 My audit work resulted in some amendments which reduced the subsidy claim by £12,447.

- 3** I tested a sample of 80 benefits cases, 20 for each benefit type. Where I identify errors from this testing but cannot confirm if they are isolated errors, I ask the authority to test another sample of 40 cases. My auditors then review this work and reperform some of the testing. I quantify the total error and agree amendments to the claim or, where testing is inconclusive, I report the results in a qualification letter. I asked the authority to test another sample of 40 cases for two of the four types of benefit.
- HRA rent rebate: The authority overpaid 1 claim in the sample of 20 because an increase in income was applied from the wrong date. The authority identified three more errors when an extra sample of 40 was checked. These errors were not enough to justify amending the claim and so I reported them in a qualification letter.
  - Council tax benefit: The assessor awarded benefit on one claim from the correct date but did not record that it was due from an earlier date than the date of the claim. It was classified wrongly as a backdated claim. Testing of 40 more backdated claims identified 18 misclassified as backdated. This does not affect the amount claimed, but I reported the misclassifications in a qualification letter.
- 4** My testing of 20 non-HRA rent rebates cases included 11 claimants from Belmont hostel, which closed in March 2011. I found similar errors to those found in my audit of the 2009/10 claim.
- Benefit received for claimants who had left the hostel before the start of 2010/11.
  - Some claim forms missing and others unsigned making them ineligible for benefit.
- 5** I asked the authority to check all 147 Belmont cases. Similar errors occurred in 80 other claims. As a result I reduced the subsidy claim by £11,666.
- 6** I identified three underpayments (two rent allowance claims and one non-HRA rent rebate claim). Underpayments have no impact on subsidy claimed, but I reported them in my qualification letter.
- 7** I identified other minor errors which resulted in a net decrease in subsidy claimed of £781.

## Recommendation

**R1** Provide tailored coaching and training to address the errors identified and ensure all staff understand and follow procedures in future.



## Pooling of Housing Capital Receipts

**8** Local authorities pay part of housing capital receipts into a national pool run by the Department of Communities and Local Government (DCLG). Authorities can reduce the amount paid in by the costs of improvements within three years. I tested improvement costs deducted from right to buy capital receipts and found that these included costs incurred for up to five years. This arose because authority staff misinterpreted the regulations. As a result the authority understated its pooling liability by £8,503. The authority did not amend the return and I reported the issue in my qualification letter to DCLG.

### Recommendation

**R2** Ensure deductions made by the authority from housing capital receipts for pooling comply with the regulations.

## HRA Subsidy

**9** I amended some errors in entries in the claim which increased the HRA subsidy by £100,581. This reduced the authority's notional surplus on the Housing Revenue Account, which is payable to DCLG, from £374,829 to £274,248.

## Housing finance base data return

**10** I amended the return for the following errors.

- Omission of capital receipts for preserved Right to Buy sales in 2010/11 for the properties now with City West.
- New build properties included in voids in error.
- Some properties included in the wrong archetype.
- Incorrect number of bedrooms recorded for some properties because authority used the wrong data file.

### Recommendation

**R3** Check claim entries to supporting working papers and records before submission for certification.

## National Non-Domestic Rates (NNDR) Return

- 11** The authority has improved controls over empty property relief since 2009/10. However, I found a lack of evidence to show why some car park spaces were classed as unoccupied. I reported this in a qualification letter.
- 12** In a sample of 20 properties for which the authority had granted empty property relief in 2010/11, the authority could not provide evidence that they were unoccupied and therefore qualified for the relief. These were individual car park spaces or groups of car park spaces. Empty property relief for three was £254 each and for the other, which was a group of car park spaces, it was £101,844. While it is not possible to confirm car park spaces within a car park as unoccupied by property inspections, the authority should have some evidence that they are eligible for empty property relief. This could be, for example, correspondence linking the car park spaces with an office or building which is vacant.
- 13** The total S.45 empty property relief reported in the return for 2010/11 was £10,497,073. It was not possible to quantify how much of this total was for car park spaces because this is not identified on the NNDR system. Therefore I did not amend the claim but reported the lack of evidence to support empty property relief granted for car park spaces in a qualification letter.

### Recommendation

- R4** Record suitable evidence to support granting empty property relief on car park spaces.

## New Deal for Communities

- 14** The authority amended minor errors in the claim which increased it by £2,894.

## Single Programme (NWDA)

- 15** This report includes the results of my work on eight 2010/11 claims and two 2011/12 single programme claims which I certified early at the authority's request. I amended the value of the 2011/12 Mediacity UK PRI claim resulting in an increase of £281,159. I also identified other errors made by the authority when completing other parts of the 2010/11 and 2011/12 Mediacity UK PRI claims. These other errors did not affect the claim values but I provide details below.
- The 2010/11 Mediacity UK PRI claim form total for eligible expenditure in 2010/11 was increased from £8,170,966 to £8,237,480 because the authority recorded the wrong amount on the claim. This did not affect the amount due to from the NWDA which the authority had correctly stated on the claim as £1,020,694.

- The 2011/12 Mediacity UK PRI claim form total for eligible expenditure in 2010/11 was reduced from £1,150,673 to £891,159. The amount due from NWDA was increased by £281,159 because the authority had omitted the grant approval for the retention figure of £281,159 brought forward from 2010/11.

## Recommendation

**R5** Check that Single Programme claims are compiled correctly and are arithmetically correct before submitting them for certification.

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## Other errors

**16** There were also amendments made for minor errors in the compilation of the Teachers pensions return and seven other Single Programme (NWDA) claims. These did not affect the claim amounts.

# 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	Date for implementation	Responsible officer	Current status	Comments
Ensure there is a robust control environment for preparing all claims and returns, including: <ul style="list-style-type: none"><li>■ precertification checks for arithmetic accuracy, completeness and reasonableness, including test checks to supporting records and review, by an officer not involved directly in claim compilation; and</li><li>■ evidence of the review.</li></ul>	H	Immediate	All claims officers	Implemented	Officers prepared most 2010/11 claims well and provided sufficient supporting evidence. However, there is scope for more improvement.

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Review and document the approach for granting empty property relief for NNDR.	H	In place	RF Daniels	Implemented	Significant improvement confirmed – sufficient evidence to support most vacant properties. However, records supporting empty car park spaces could be improved.
Ensure a consistent approach and evidence of checks completed to ensure relief is granted only to eligible properties.	H	In place	RF Daniels	Implemented	As above
Ensure that appropriately trained staff process all housing benefits claims.	M	31 March 2011	Pam Prendergast	Implemented	This was an issue only for Belmont hostel which closed March 2011.
Retain all supporting evidence for claims.	H	31 March 2011	Pam Prendergast	Implemented	As above
Where the Council does not process benefits via the housing benefit system, but instead manually assesses and calculates them, ensure an independent person reviews the assessment.	M	31 March 2011	Pam Prendergast	No longer applicable	As above
Make appropriate adjustments to the subsidy claim for unrepresented cheques.	M	In place	Pam Prendergast	Partially implemented	A minor amendment was required to the 2010/11 claim for unrepresented cheques.

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Complete claims in line with the requirements of the scheme. Where deviations from the requirements are agreed with the grant-paying department the Council should obtain evidence in writing.	M	Immediate	Beth Waterhouse	Implemented	No issues arising in 2010/11.
Ensure there is appropriate evidence and documentation to support claims and that this is readily available.	H	Immediate	Beth Waterhouse	Implemented	No issues arising in 2010/11.
Include only eligible expenditure in claims. Identify and address the reasons for the specific errors identified in the Oldfield Road claim.	H	Immediate	Janet Farrimond	Implemented	No significant issues arising in 2010/11.
Implement an independent review of claims prior to submission in order to minimise compilation and arithmetic errors, and confirm that claims are in accordance with requirements.	M	Immediate	Beth Waterhouse	Partially implemented	Some errors identified by my 2010/11 certification work indicate scope for further improvement in checks of the compilation and arithmetic accuracy of some claims.

# 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
	H/M/L			
R1 Provide tailored coaching and training to address the errors identified and ensure all staff understand and follow procedures in future.	H	(HB/Ctax bens) We will continue to commit to our ongoing coaching/training programmes for benefits staff and will incorporate any lessons learned from the errors identified.	1 April 2012	Janet McGrail
R2 Ensure deductions made by the authority from housing capital receipts for pooling comply with the regulations.	M	(Cap rcpts pooling) Claims for 2011/12 are being compiled in accordance with the guidelines.	Already implemented	Duncan Hayward
R3 Check claim entries to supporting working papers and records before submission for certification.	M	(Hsg base data) Agreed. However, under self-financing we do not expect future submissions.	Not applicable	Steve Bayley
R4 Record suitable evidence to support granting empty property relief on car park spaces.	M	(Bus rates) Agreed.	30 June 12	Janet McGrail

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
R5 Check that Single Programme claims are compiled correctly and are arithmetically correct before submitting them for certification.	H	(SP NWDA) Agreed.	Immediate	Steffi Riley



# 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	45,045	37,814	I found more errors in our testing of benefit claims in 2010/11. As a result additional testing was required.
Pooling of housing capital receipts	2,115	1,362	I did not rely on the control environment for 2010/11.
HRA subsidy	2,164	3,523	I carried out limited testing in 2010/11 as the value was below £500,000.
Housing finance base data return	4,980	2,139	I did not rely on the control environment for 2010/11. Additional testing was required and I assessed the return as high risk as it informs the HRA self-financing determination.
National non-domestic rates return	5,547	2,960	Level of testing increased to comply with the Audit Commission's 2010/11 guidance on sample sizes.
Teachers' pensions return	2,864	2,252	I did not rely on the control environment for 2010/11.
Sure start, early years and childcare grant and aiming high for disabled children grant	1,516	1,797	Arithmetic errors in 2009/10 required further audit work to resolve. No such errors arose in 2010/11.

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Disabled facilities	1,944	1,447	I did not rely on the control environment for 2010/11.
New deal for communities	6,248	4,555	I did not rely on the control environment for 2010/11.
Single programme	13,466	14,841	Not applicable.
Total	85,889	72,690	

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