

# Certification of Claims and Returns - Annual Report

Rutland County Council

Audit 2008-2009

January 2010



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## **Status of our Reports**

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.
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# Key messages

**Funding from government grant-paying departments is an important income stream for the Council. You need to manage claiming this income carefully and demonstrate to me that you have 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.**

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## Certification of claims

- 1 Rutland County Council receives significant funding from various grant-paying departments. The Council's financial statements for 2008/09 shows that you received over £30 million for specific activities from grant paying departments. You also contributed nearly £8 million non domestic rates to central government. Most of this grant funding and non domestic rates contribution is subject to auditor certification. The grant-paying departments attach conditions to these grants and contributions. 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 that the relevant conditions have been met.
- 2 In 2008/09, my audit team certified six claims or returns. We were able to fully certify all claims without significant amendment. One qualification letter, explaining the relatively minor amendments made to a claim, was sent to the relevant grant-paying body. Appendix 1 sets out a full summary of those grant claims or returns subject to the grants audit regime.

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## Significant findings

- 3 All claims and returns were well compiled, although one of the claims was submitted to us for certification late. We did not detect any significant errors in any of the claims and all were certified by the auditor deadlines.

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## Certification fees

- 4 I charged £29,302 in total for grant certification work in 2008/09.

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# Background

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- 5 The Council's 2008/09 statement of accounts shows that you received over £30 million for specific activities from grant paying departments. As this is significant to the Council's income it is important that processes are properly managed. In particular this means:
  - an adequate control environment over each claim and return; and
  - ensuring that you can evidence that you have met the conditions attached to each claim.
- 6 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 the Council. In carrying out this work I act as an agent of the Commission, and I am governed by the Commission's certification instruction arrangements (written instructions from the Commission to appointed auditors on the certification of claims and returns), which I must follow.
- 7 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 You are 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 and consequently auditors do not charge any fees.
  - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but we 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 (either because the control environment is inadequate or because the certification instruction does not allow auditors to take any reliance) 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.

# Findings

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### Control environment

- 10 For all but two of claims and returns over £500,000 we have been able to rely on the control environment. This means that we can carry out limited testing on most claims which in turn leads to a lower level of fees.

### Submission of claims and returns

- 11 All but one of claims and returns were submitted to us on time. Officers dealt with our routine queries promptly for all claims and returns.

### Specific claims

#### Housing and council tax benefits

- 12 The Council is able to claim subsidy from central government in respect of benefits paid to claimants. Auditors are not allowed to rely on the control environment and limit their coverage as the audit certification work is mandated by the Audit Commission.
- 13 We agreed a number of amendments to the claim to correct errors identified in the course of the testing of the initial sample of cases. The net affect of these adjustments was a combined overclaim of £630. We issued the required qualification letter informing the government department that officers had decided not, given the small amounts involved, to carry out any further testing on the errors identified.
- 14 Benefits is a complex technical area; the existence of errors and the need for a qualification letter do not of themselves imply weaknesses in the systems.

#### Housing subsidies and Grants

- 15 This return covers the subsidy payable, in accordance with determinations made by the government, to meet any shortfall between income and expenditure on the Council's notional Housing Revenue Account. The claim is inherently complex and we were not able therefore to fully rely on the control environment.
- 16 The return was received by the due date and certified, without amendment or qualification, by the auditor deadline.

#### Housing subsidy base data return

- 17 This return provides information to CLG to allow them to pre-set your housing subsidy entitlement for the coming financial year.
- 18 The return was received by the due date and certified, without amendment or qualification, by the auditor deadline.

### **National non Domestic Rates Return**

- 19 This return covers the calculation of the Council's contribution to the National Non-Domestic Rates Pool for the year.
- 20 The return was received by the due date and certified, without amendment or qualification, by the auditor deadline.

### **Sure Start, Early Years and Childcare Grant (Annual Financial Statement)**

- 21 This scheme supports the delivery of the Government's ten year Strategy for Childcare. It comprises revenue and capital funding from a number of blocks, some of which are ring-fenced.
- 22 The claim was received by the due date and certified, without amendment or qualification, by the auditor deadline.

### **Teachers' Pension Return (form TR17)**

- 23 Form TR17 is an annual summary statement showing teachers' pension contributions deducted by the Council from relevant employees and remitted to Teachers Pensions in the year. The return is inherently complex and there were some changes to staffing in the year. The return was also submitted to us late. We were not able therefore to fully rely on the control environment
- 24 Although we received the return after the due we were able to certify it, without amendment or qualification, by the auditor deadline.

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# Appendix 1 – Summary of 2008/09 certified claims

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## Claims and returns above £500,000

<b>Claim</b>	<b>Value £m</b>	<b>Adequate control environment</b>	<b>Amended by +/- £10,000?</b>	<b>Qualification letter?</b>
Housing and Council Tax Benefits Scheme	5.6	no	no	yes
Housing Subsidies and Grants	various	no	no	no
Housing Subsidy - Base Data Return	various	yes	no	no
National Non Domestic Rates Return	8.1	yes	no	no
Sure Start, Early Years and Childcare Grant	0.9	yes	no	no
Teachers' Pension Return	9.6	no	no	no

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# The Audit Commission

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.

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