

# Certification of claims and returns - annual report

**Central Bedfordshire Council**

Audit 2008/09

Date **February 2010**

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# Key messages

**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 2008/09 claims for Central Bedfordshire's predecessor Councils. It includes the messages arising from my assessment of the arrangements for preparing these claims and returns and information on claims that we amended or qualified.**

**We identified a number of areas for improvement in the predecessor council's arrangements for the preparation of claims and returns, particularly in relation to housing benefit claims, that need to be addressed by Central Bedfordshire.**

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## Certification of claims

- 1** Central Bedfordshire Council receives significant funding from various grant-paying departments. The grant-paying departments attach conditions to these grants and 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** As part of our audits of Bedfordshire County Council, Mid Bedfordshire and South Bedfordshire councils in 2008/09, we certified 14 claims with a total value of £176 million. Of these, we carried out a limited review of four claims and a full review of 10 claims. Our audit work resulted in amendments to six claims and qualification of seven claims. Appendix 1 sets out a full summary.
- 3** The fees have charged to date for grant certification work in 2008/09 for Bedfordshire County Council, South Bedfordshire District Council and Mid Bedfordshire District Council totalled £144,087. Of this total, £61,821 relates to the audit of the South Bedfordshire District Council's housing benefit claim.

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## Significant findings

- 4** At the time of writing this report we are concluding our work on the Mid Bedfordshire District Council Housing Benefits claim. There have been significant delays in completing the audit of this claim, which should have been certified by 30 November 2009. The main reason for this delay has been that the same Central Bedfordshire officers were responsible for dealing with audit queries for both the South Bedfordshire and Mid Bedfordshire Housing Benefit claims. Effort was concentrated on clearing the South Bedfordshire claim which was certified by the required deadline, but was, as in previous years, subject to extensive qualification. We expect that further work will be required in response

to the qualification letter. It is anticipated that the Mid Bedfordshire Claim once certified will also be subject to amendment and qualification.

- 5 We have also had to carry out additional work on the 2007/08 South Bedfordshire Housing Benefit claim in response to queries raised by the Department of Works and Pensions (DWP) in respect of the qualifications we reported to them in respect of the 2007/08 claim.
- 6 Central Bedfordshire Council is currently transferring data from the predecessor authorities to its new housing benefits system. In implementing the new system and training staff in its use, the problems that have led to the qualifications of these claims in previous years need to be addressed.

### Certification fees

- 7 The fees charged to date in respect of grant certification work in 2008/09 are set out in Table 1. Of the total fee for South Bedfordshire of £78,838, £61,821 is in respect of the audit of the 2008/09 housing benefit claim and £17,017 in respect of the additional work on the 2007/08 claim. The fee reflects the volume of work required to carry out the audit which is reflected in the extensive qualification letter that we have issued to the Department of Works and Pensions. The Table also includes an estimate of the time required to complete the outstanding claims work at all three predecessor authorities.

**Table 1 Grant certification fees charged in respect of 2008/09 claims**

Council	Grant fee per 2008/09 audit plan	Grant fees to date	Estimate total fee to complete work
<b>Bedfordshire County Council</b>	£37,078	£30,611	£37,078
<b>South Bedfordshire DC</b>	£38,786	£75,089	£78,838
<b>Mid Bedfordshire DC</b>	£32,000	£38,387	£40,000
<b>Total</b>	£107,864	£144,087	£155,916

## Key messages

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### Actions

- 8 Appendix 2 summarises my recommendations to improve arrangements for the management of claims and returns. The relevant officers of the Council have already agreed these recommendations.

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# Background

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- 9 The Council receives significant funding from grant paying departments. 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.
- 10 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 Central Bedfordshire 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.
- 11 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 12 The key features of the current arrangements are as follows.
- For claims and returns below £100,000 the Commission does not make certification arrangements.
  - For claims and returns between £100,000 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. 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. This means that the audit fees for certification work are reduced if the control environment is strong.
  - 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 approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

# Findings

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## Control environment

- 13 Where the value of the claim or return is over the current £500,000 threshold, we assess the control environment for the preparation of the claim or return and conclude as to whether reliance can be placed on it before detailed certification work is carried out.
- 14 In assessing the control environment we assess the following; the degree of risk attached to the claim or return including the volume and type of transactions undertaken, the complexity of the scheme itself, the method of compilation of the claim or return including any changes from the previous period, cumulative auditor knowledge and the findings from predictive analytical review. If we conclude that we are not able to place reliance on the control environment we then consider the extent and adequacy of other work by internal audit in relation to the claim or return and assess whether the work is directly relevant and whether reliance can be placed upon it.
- 15 We were not able to rely on the control environment for any of the claims above the £500,000 threshold audited in 2008/09. This was largely due to the inherent complexity of the claims and issues from previous years audits. Therefore we were required to carry out detailed testing on the claims based on our assessment of risk and in accordance with the certification instruction agreed with the grant paying department.

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## Specific claims

### Bedfordshire County Council

- 16 For the teachers pensions claim we reported that:
  - the Authority had been unable to confirm the arrangements it had in place to satisfy itself that non pensionable items had been excluded from non authority payroll providers;
  - the actual contributory salary figure in the return had been calculated by "grossing up" (i.e. it was mathematically generated) the employers contributions deducted. It should have been taken directly from the authority's payroll records; and
  - additional pension and additional contributions could not be categorised between contributions made under the new scheme (elections made after 1 January 2007) and additional contributions made under the previous scheme.
- 17 Our report on the sure start claim recommended that the arrangements in place to monitor expenditure on the scheme should be strengthened.
- 18 The two school centred initial teacher training (SCITT) claims are prepared by finance staff employed by the Pilgrim Partnership and North Bedfordshire

Consortium. The claim relating to the Pilgrim Partnership required minor amendments to correct the disclosure of income between earmarked funds and other income in the statement of income and expenditure. The claim relating to the North Bedfordshire Consortium required no amendment.

- 19 We are currently auditing the TRA11 claim which relates to grant received from the Department for Transport in respect of the work on the A507 Ridgmont Bypass. This claim should have been received for audit by 30 September 2009 but was not received until January 2010.

### South Bedfordshire District Council

- 20 We reported a number of issues relating to the Housing Subsidy Base Data return, largely relating to differences between the figures reported in the return and the Authority's housing system, Simdell.
- 21 We reported on the National Non Domestic Rate Return (NNDR) as, during the transfer of information to the new Central Bedfordshire NNDR system in 2009/10, errors were identified in the way the system in use for 2008/09 had calculated transitional relief for both 2008/09 and 2007/08. Corrections have been made in 2009/10 for these errors and these amendments will be reflected in the Central Bedfordshire return for 2009/10.
- 22 An extensive qualification letter has been issued for the South Bedfordshire 2008/09 Housing Benefits claim.
- 23 The audit approach, as agreed with the Department of Works and Pensions (DWP), is to test an initial sample of 80 cases, this comprises 10 new claim cases and 10 changes of circumstance cases for each of the four benefit types: non-Housing Revenue Account rent rebates, rent rebates, rent allowances and council tax benefit. Testing of this initial sample did not allow us to conclude that the claim was fairly stated and additional testing was required for 19 cells. As agreed with the DWP, an additional random sample of 40 cases was selected by us for the Council to examine. The findings are reviewed and re-performed by us on a sample basis. The results were reported, in the qualification letter, to the DWP by the agreed deadline of 30 November 2009.
- 24 We reported that the Council had continued to misclassify a number of overpayments, therefore claiming the wrong amount of subsidy, and had incorrectly assessed the income of some claimants, thereby leading to an under or over payment of benefit. The errors identified this year are consistent with test findings in previous years.
- 25 We also reported that there were a number of cells where we were unable to reach a conclusion as either the Council had not completed the additional testing or had been unable to quantify the error. The DWP is likely to require us to complete further work to reach an opinion on these cells.
- 26 During the latter part of 2008/09 South Bedfordshire changed its working practices and introduced internal controls to address issues identified in the certification of the 2007/08 housing benefit subsidy claim which was extensively qualified. However due to the time lag in submitting the audited 2007/08



## Findings

housing benefit subsidy claim the impact of these changes on the 2008/09 claim is minimal and similar errors have occurred. The audit of the 2007/08 housing benefit subsidy claim began in the summer of 2008 and the audited claim was submitted in March 2009, after the 30 November 2008 deadline, to enable completion of the additional testing that was required.

- 27 We have also had to carry out additional work on the 2007/08 South Bedfordshire housing benefit claim in response to additional queries raised DWP in respect of the qualifications we reported to them in respect of this claim.

### Mid Bedfordshire District Council

- 28 The reasons for the qualification of the Mid Bedfordshire NNDR 3 return were not significant and therefore there are no matters to report to those charged with governance.
- 29 We are in the process of concluding our work on the Mid Bedfordshire housing benefits claim which will be subject to amendment and a qualification letter.
- 30 The audit of the Housing Benefit claim has been protracted. There have been significant delays in completing the audit of this claim, which should have been certified by 30 November 2009. This is mainly due to the fact that the same Central Bedfordshire officers were responsible for dealing with audit queries for both the South Bedfordshire and Mid Bedfordshire housing benefit claims. Effort was concentrated on clearing the South Bedfordshire claim which was certified by the required deadline, but as noted above was subject to qualification and may require further audit work.
- 31 We have still to receive the Mid Bedfordshire Disabled Facilities claim which should have been made available for audit by 30 September 2009.
- 32 Central Bedfordshire Council is currently transferring data to its new housing benefits system. In implementing the new system and training staff in its use, the problems that have led to the qualifications of these claims in previous years need to be addressed.

#### Recommendation

**R1** The Council should ensure that all claims are submitted for audit by the required deadline.

**R2** All claims should be completed in accordance with the relevant guidelines set by the grant paying department.

**R3** Ensure that, in implementing the Central Bedfordshire housing benefits system and training staff in its use, the problems that have led to the qualifications of the housing benefits claims at South Bedfordshire and Mid Bedfordshire in previous years are addressed.



# Appendix 1 – Summary of 2008/09 certified claims

## Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
<b>Bedfordshire County Council</b>				
Sure Start	8,930,442	No	Yes	Yes
School Centred Initial Teacher Training - Pilgrim Partnership	839,871	No	Yes	No
Teachers' Pensions	26,740,757	No	Yes	Yes
Local Transport Plan major Projects - A507 Ridgmont Bypass	2,547,000	Not yet completed	Not yet completed	Not yet completed
<b>South Bedfordshire DC</b>				
Housing and council tax benefit	30,958,894	No	Yes	Yes
Housing Subsidy final claim	-8,563,089	No	No	No
HRA subsidy base data return	n/a	No	Yes	Yes
NNDR3	41,173,791	No	No	Yes
<b>Mid Bedfordshire DC</b>				
Housing and council tax benefit	25,028,545	No	Yes	Yes
NNDR 3	29,589,306	No	No	Yes

## Appendix 1 – Summary of 2008/09 certified claims

### Claims between £100,000 and £500,000

Claim	Value £	Amended
<b>Bedfordshire County Council Claims</b>		
School Centred Initial Teacher Training - North Bedfordshire Consortium	418,049	No
<b>South Bedfordshire DC</b>		
Disabled facilities grant	258,000	No
Pooling of housing capital receipts	342,040	Yes
<b>Mid Bedfordshire DC</b>		
Disabled Facilities Grant	322,000	TBC (Not yet certified by the authority)

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Claims and Returns Report 2008/09 - Recommendations</b>						
	The Council should ensure that all claims are submitted for audit by the required deadline.	3				
	All claims should be completed in accordance with the relevant guidelines set by the grant paying department.	3				
	Ensure that, in implementing the Central Bedfordshire housing benefits system and training staff in its use, the problems that have led to the qualifications of the housing benefits claims at South Bedfordshire and Mid Bedfordshire DCs' claims in previous years are addressed.	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date

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Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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