

# Certification of claims and returns - annual report

Chorley Borough Council

Audit 2008/09

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. Additionally, the Council must ensure that it has complied with regulations for compiling financial returns.**

**Our certification of claims and returns in 2008/09 did not identify any areas of concern.**

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## Certification of claims and returns

- 1 Chorley Borough Council receives more than £22m funding from government departments which is subject to external audit certification. Additionally, the Council is responsible for collecting non-domestic rates to the value of £20m. This is paid over to the national pool and an auditor certified return is required.
- 2 The grant-paying departments attach conditions to the grants and the Council must show that it has met these conditions. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions for claims and returns have been met. If the Council cannot evidence compliance with grant conditions, the funding can be at risk.
- 3 In 2008/09, my audit team certified three claims with a total value of £42.5 million. Of these, we carried out a limited review of one claim and a full review of two claims. (Paragraph 9 explains the difference). I made only a very minor amendment to one claim. I did not issue any qualification letters to government departments. Appendix 1 sets out a full summary.
- 4 The fees I charged for grant certification work in 2008/09 were £18,265. This compares favourably to our estimated fee of £25,000 which we reported to you in our 2008-09 Audit and Inspection Plan.

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## Significant findings

- 5 I am pleased to be able to report that our certification work did not identify any concerns about the Council's arrangements. We have therefore made no recommendations for improvement.

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# Background

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- 6 The Council completes claims and returns to government departments with a total value of £42.5m. This is clearly significant to the Council and it is therefore 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 Chorley Borough 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 government 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.
  - 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 is not 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.
  - 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.
- 10 The work that we undertake to certify the Housing Benefits claim for the Department of Work and Pensions is slightly different. Because of the high value and inherently high risk nature of the claim, the auditor has to test the entries on a Council's claim form. In doing this we:

## Background

- confirm that the subsidy claim has been completed using the recognised software for claim completion;
- undertake an analytical review for a year by year comparison and comparisons to other Councils; and
- 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.

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# Findings

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## Control environment

- 11 I have assessed that the overall control environment at the Council is good and that this generally applies to the compilation and checking of grant claims and returns. I have therefore been able to rely on the control arrangements in place when completing the certification of the disabled facilities grant.
- 12 I have placed limited reliance on the control environment in the completion of the housing and council tax benefits claim. This is because the certification arrangements for housing and council tax benefits agreed nationally by the Audit Commission and the Department for Work and Pensions require a full review.
- 13 The other large return relates to national non domestic rates. It has been several years since we carried out detailed testing on this return. Given the large amounts involved we determined that a full review was timely. This work will inform our assessment of the control environment for this return for future years and has confirmed that it remains good.

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## Specific claims

- 14 My testing in respect of all three returns did not identify any concerns. None of the claims were qualified and no significant amendments were required. The Housing and council tax benefits claim was amended to correct a misclassification of expenditure but this did not impact on the subsidy payable.

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# Appendix 1 – Summary of 2008/09 certified claims

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## Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	21,989,957	Yes	Yes	No
National non- domestic rates return	20,379,673	Yes	No	No

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

Claim	Value £	Amended	Qualification letter
Disabled Facilities (Housing)	180,000	No	No

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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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