

# Certification of claims and returns

Annual report 2011/12

## Stockton-on-Tees Borough Council



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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

# 01 Background

## The scope of our work

Auditors appointed by the Audit Commission are 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. A fee is charged to cover the full cost of meeting this requirement.

The Council is responsible for compiling grant claims and returns that follow the requirements and timescale set by the grant paying departments. The key features of the current arrangements are:

- For claims and returns below £100,000 the Commission does not certify 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 preparing the claim or return to decide whether reliance can be placed on it. Where there is reliance on the control environment, auditors undertake limited tests to agree form 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 the tests in the certification instruction and use their assessment of the control environment to inform decisions on the testing required. This means the audit fees can be reduced for certification work 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 are tested accordingly. The approach impacts on the grants work carried out, placing more emphasis on the high value claims.

# 01 Background

Stockton-on-Tees Borough Council (the Council) receives more than £300 million in funding from various grant-paying government departments. These departments attach conditions to these grants and where the Council cannot evidence conditions have been met, the funding can be at risk.

It is therefore important the Council can demonstrate that it:

- has put in place adequate arrangements to prepare and authorise each claim and return (we call this the control environment); and
- can evidence that it has met the conditions attached to each claim.

This report summarises the findings from certification work in respect of grants related to 2011/12 and includes recommendations arising from the assessment of your arrangements for preparing claims and returns.

# 02 Findings

## **Your control environment**

Your control environment has been assessed for two claims and returns.

No weaknesses were identified in your control environment.

A summary of recommendations from previous years is included in Appendix A.

## **Amendments and Qualifications**

Where certification work identifies errors on a claim or return the Council will amend the claim or return to correct the error. Where the auditor concluded that the claim or return is not fairly stated or in accordance with the associated terms and conditions, a qualification letter is issued to the grant-paying body to draw its attention to the findings.

Of the four claims or returns certified in 2011/12 one was qualified and none were amended. A full summary of the claims and returns which were qualified or amended is included in Appendix B.

## 03 Certification Fees

For 2011/12 the total fee for certification of claims and returns was £34,515. This is a significant reduction on fees charged in previous years as a result of:

- a reduction in the number of claims above the £500,000 threshold; and
- an improvement in the Council's arrangements for preparing claims and returns.

Claim or Return	2010/11 Fee	2011/12 Fee	Reason for significant movements
Housing and council tax benefit scheme	45,732	30,195	Results of initial testing this year required little or no follow up/fewer issues identified than last year
National non-domestic rates return	1,785	1,445	Results of initial testing this year required little or no follow up/fewer issues identified than last year
Teachers' pensions return	1,190	595	Results of initial testing this year required little or no follow up/fewer issues identified than last year
School centred initial teacher training	1,190	2,280	Results of initial testing this year required more follow up/more issues identified than last year

## 04 Appendices

A – Summary of progress on previous recommendations

B – Summary of certified claims and returns



# Appendix A – Summary of progress on previous recommendations

There have been ongoing errors in housing and council tax benefit and other housing claims, but these have reduced year on year as arrangements are improving. Housing claims are no longer applicable due to the large scale voluntary transfer of the housing stock in December 2010.



# Appendix B – Summary of certified claims and returns

## Claims and returns above £500,000

Claim or Return	Value (£)	Testing carried out	Amended	Qualified
Housing and council tax benefit scheme	82,376,496	No reliance on control environment, subject to more detailed HBCOUNT approach	No	Minor issues reported for errors found in sample testing and minor differences in reconciliations. Error of £13,163 in calculation of extended payments.
National non-domestic rates return	73,219,363	Reliance placed on control environment, limited testing carried out in line with certification guidance	No	No
Teachers' pensions return	12,049,073	Reliance placed on control environment, limited testing carried out in line with certification guidance	No	No

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

Claim or Return	Value (£)	Amended	Qualified
School centred initial teacher training	462,652	No	No