

# Certification of claims and returns - annual report

Southampton City Council

Audit 2011/12



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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 2011/12 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 made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required 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 was not required 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 to assess 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. Auditors are required to complete all of the tests in the relevant certification instruction, if reliance on the control environment has led to a reduced level of testing for more than two years.

Claims and returns may be amended 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 2011/12 certification work

## The Authority has continued to meet the deadlines for preparing claims and returns.

I carried out work on five claims and returns, all were over the £500,000 threshold. My work gave rise to amendments to one claim for the year ended 31 March 2012. I issued a qualification letter with my certificate on the 2011/12 Housing and Council Tax Benefits grant claim and the Teachers' Pension Contribution return.

Table 1: Summary of 2011/12 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£227 million
Number of claims and returns amended due to errors	1
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 scheme terms and conditions had not been complied with	2
Total cost of certification work	£66,677

I summarise below the main features of my certification work and what I found.

# Results of 2011/12 certification work

**This section summarises the results of my 2011/12 certification work and highlights the significant issues arising from that work.**

My certification work has confirmed that the Council sent all of the expected uncertified 2011/12 grant claims and returns to the respective government department on time. Supporting working papers were provided to me by your officers and I have been able to complete the work required by the Audit Commission's certification instruction for each claim or return. All certified claims and returns were sent to the relevant government department on time. No significant issues arose from my certification work that I need to report to the Council.

Table 2: **Claims and returns above £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made £	Was a qualification letter issued?
Housing and council tax benefit scheme	125,148	N/A – Requirement to follow separate HB COUNT approach	10	Yes
Pooling of housing capital receipts	3,009	No – Required to test in full due to third year of a three year cycle	N/A	No
HRA subsidy	-7,455	Yes	N/A	No

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made £	Was a qualification letter issued?
National non-domestic rates return	95,513	No – Required to test in full due to third year of a three year cycle	N/A	No
Teachers' pension contributions return	10,870	No – Required to test in full due to third year of a three year cycle	N/A	Yes

### Housing and council tax benefit scheme

There were no significant issues arising from my testing of your housing and council tax benefits claim for 2011/12. I reported the minor discrepancies that I found between the amount of benefit granted on the computer system and the amount actually paid to claimants and the impact of the minor errors that were noted during my testing. I am required to report such issues to the Department of Work and Pensions, to enable them to consider whether any action is necessary.

### Teachers' pension contribution return

My testing revealed 3 cases on the payroll for which the Council could not confirm that the teacher had opted out of the teachers' pension scheme. In each case the teacher was a 'supply teacher'. The Council has therefore reviewed the payroll records for all supply teachers who have opted out of the scheme and found a total of 17 cases for which further investigation is required. When this further investigation has been completed the Council will write to each teacher for who supporting evidence is not available to confirm that they had intended to opt out of the teachers' pension scheme. If they did not intend to opt out the Council will recover any outstanding pension contributions. Any such recovery will be included on a future return.

# Summary of certification fees

This section summarises the fees arising from my 2011/12 certification work and highlights the reasons for any significant changes in the level of fees from 2010/11.

Table 3: Summary of certification fees

Claim or return	2011/12 fee	2010/11 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	51,028	47,346	N/A
Pooling of housing capital receipts	2,638	1,851	More detailed testing required in 2011/12.
HRA subsidy	1,615	4,362	Fewer issues arose that required follow up this year.
Housing finance base data return	N/A	4,907	No requirement to certify this return in 2011/12.
National non-domestic rates return	4,534	1,954	More detailed testing required in 2011/12.
Teachers' pensions return	4,981	3,041	More detailed testing required in 2011/12.
Sure start, early years and childcare grant and aiming high for disabled children grant	N/A	1,610	No requirement to certify this return in 2011/12.

Claim or return	2011/12 fee	2010/11 fee	Reasons for changes in fee greater than +/- 10 per cent
Disabled facilities	N/A	1,040	No requirement to certify this return in 2011/12.
New Deal for communities	N/A	13,166	No requirement to certify this return in 2011/12.
Planning, control and reporting	1,881	1,043	
Total	66,677	80,320	



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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

