



Accountants &
business advisers

Hastings Borough Council

Grant Claim Certification for the year ended 31 March 2009

February 2010

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body with reference to the separate Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

[Statement of Responsibilities of Auditors and Audited Bodies](#)

[Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns](#)

1 Key conclusions

- 1.1 Our report summarises the main issues arising from the certification of grant claims for the financial year ending 31 March 2009. Our audit of grant claims was conducted between July and December 2009 in accordance with the deadlines specified by the Audit Commission.
- 1.2 The Council's arrangements for preparing grant claims and other returns to Government departments are generally working well. The overall control environment at Hastings can be relied upon to produce accurate claims and other returns to Government departments. While the Council prepared only three claims and returns to be certified by external audit, the value of these claims amounted to almost £70 million and is a significant source of income to Hastings.
- 1.3 In 2008/09, the Housing and Council Tax benefit subsidy claim was qualified because differences arose between total expenditure cells and the supporting analysis of expenditure within the claim. While the differences were not significant (at £3,744 and £2 respectively) the Audit Commission's certification instructions require us to report the facts to the grant paying department (the Department for Work and Pensions).
- 1.4 The Non-Domestic Rate (NDR) return was amended in discussion with officers and did not affect the Council's contribution to the national pool. All deadlines set by government departments were achieved for submitting draft and final claims and returns.
- 1.5 The Council should ensure the matter raised in our qualification letter regarding the 'in-year reconciliation' of housing and council tax benefit subsidy is resolved in advance of preparing the 2009/10 claim. An action plan is included at Appendix A accordingly.

Impact on fees

- 1.6 The effective management arrangements and overall control environment established by the Council for preparing grant claims and other returns means the actual fee for the audit of claims is in line with the amount estimated in our audit plan. However, the additional review of benefit cases the Audit Commission requires auditors to undertake in auditing the Housing and Council Tax benefit subsidy claim means the overall fee for the audit of grant claims has increased by £10,100 compared to the 2007/08 level.
- 1.7 As a result of its *Review of Arrangements for Certifying Claims and Returns*, the Audit Commission has mandated preparation of this Grants Report to raise the importance and profile of certification work and improve the standards of claims and returns prepared. The cost of this reporting is £950, is charged under section 28 of the Audit Commission Act 1998 and is calculated based upon the number of hours taken to draft, agree and finalise the report. The cost of our reporting is less than the amount we estimated (£3,000).

2 Background

- 2.1 Government departments rely on the external auditor's certification work to ensure grant claims and other returns are fairly stated and that expenditure incurred by local authorities is in accordance with the terms and conditions agreed. Where external auditors cannot confirm the accuracy of subsidy claimed, the grant claim is certified with a qualification letter and there is a risk the government department may withhold subsidy until the qualification matter is resolved. This can adversely affect Councils' cash flow and resources.
- 2.2 At Hastings, the value of claims and other returns certified in 2008/09 amounted to almost £70 million. Claims and returns subject to audit are prepared by the Finance department.
- 2.3 We undertake grant claim certification as an agent of the Audit Commission, in accordance with the Certification Instructions issued by the Commission after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission. Claims less than £100,000 in value are outside the scope of the external auditor's certification work. For those claims with a value of between £100,000 and £500,000, we conduct only a limited review of the overall control environment before certifying the claim.
- 2.4 The cost of our audit work at Hastings in 2008/09 was approximately £44,000.
- 2.5 After completion of the tests contained within the Commission's Certification Instructions, the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, the claim may be qualified based on the audit testing completed.
- 2.6 The Housing and council tax benefit subsidy audit is an integral part of the Use of Resources assessment in considering the Council's data quality arrangements under the Audit Commission's COUNT principle (collect once use numerous times). The results of the integrated benefits work also contribute to the Audit Commission's risk assessment for the inspection of benefits services. Sample sizes and methodology for this work are prescribed by the Audit Commission.
- 2.7 The Audit Commission's September 2009 *Review of Arrangements for Certifying Claims and Returns* recommended that the findings from grant certification work be taken into account in the use of resources assessment. The guidance for key line of enquiry (KLOE) 2.4 which focuses on risks and internal control has been updated to reflect this and evidence from certification work may also be relevant to KLOE 1.1 (financial planning), KLOE 1.3 (financial reporting) and KLOE 2.2 (data quality). Consequently the outcome of our 2008/09 certification work, included within this report, will inform the use of resources assessment and Value for Money conclusion for the 2009/10 year.

3 Summary of certification

3.1 The table below identifies the certification status of the grant claims audited for the year ending 31 March 2009:

Claim	Value of claim £	Qualified/ Unqualified	Number of amendments	Impact of amendments on subsidy £	Fee for the year ended 31 March 2009 £	Fee for the year ended 31 March 2008 £
Housing and council tax benefit subsidy	£52,441,515	Qualified	0	-	£36,108	£18,265
Disabled facilities grant	£570,000	Unqualified	0	-	£3,500	£8,333
National non domestic rates return	£16,423,959	Unqualified	2	0	£4,528	£7,385
Total					£44,136	£33,983

*N/A as claim does not give rise to grant payment

Appendix A – Action Plan

Matter arising	Recommendations	Priority	Management response	Responsibility	Timing
Housing and Council Tax Benefit Claim					
<p>The subsidy claim was qualified because differences arose between total expenditure cells and the supporting analysis of expenditure within the claim. Cells 094 and 125; and 142 and 160 did not fully reconcile. The differences involved are insignificant at £3,744 and £2 respectively.</p>	<p>Ensure the matters giving rise to the qualification of the housing and council tax benefit subsidy claim are resolved.</p>	<p>High</p>	<p>A reconciliation of the differences, and supporting evidence, was provided at the time of audit. In future the subsidy claim will be adjusted “to match” rather than simply provide supporting evidence of the differences. The £2 is in respect of rounding on £41.9 million of expenditure.</p>	<p>Chief Accountant</p>	<p>June 2010</p>