



Accountants &  
business advisers

## **Hastings Borough Council**

### **Grant Claim Certification for the year ended 31 March 2011**

January 2012

## Contents

1	Background and key conclusions .....	3
2	Audit of individual grant claims and other returns .....	4
3	Summary of certification .....	5

### **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 Background and key conclusions

- 1.1 The Audit Commission requires external auditors to report the outcome of the audit of grant claims and other government returns ('returns') to those charged with governance. Our short report summarises the main issues arising from our certification work for the financial year ending 31 March 2011. The audit was conducted between July and November 2011 in accordance with the deadlines specified by the Audit Commission.
- 1.2 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.
- 1.3 We undertake certification work as an agent of the Audit Commission, in accordance with the Certification Instructions it issues. After completion of specified audit procedures, the grant claim (or return) may be certified with or without amendment or, where the grant amount cannot be determined, the claim may be qualified based on the audit work completed. All of the Council's claims were submitted to Government departments without qualification.
- 1.4 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.

## Key conclusions

- 1.5 The Council implemented the minor recommendation we made last year to ensure all reconciliations supporting the benefit subsidies claim were successfully completed. No significant issues arose from our audit of claims and returns for the year ended 31 March 2011. PKF auditors worked effectively with officers to ensure all of the deadlines set by Government departments for completing the audit of individual claims and returns were met. In addition, only one claim required amendment as a result of our audit work (see section 3).
- 1.6 Management arrangements for preparing grant claims and other returns to Government departments are working well and the overall control environment can be relied upon. While the Council prepared only three claims and returns in the year, the value of these claims amounted to almost £81.6 million and is a significant source of income to Hastings.

## Impact on fees

- 1.7 The cost of our audit work at Hastings in 2010/11 was £30,906 (the 2009/10 fee amounted to £52,145). The cost of our audit reduced significantly because the Internal Audit section completed the detailed review of individual housing and council tax benefit cases (required by the Audit Commission) as part of our audit of the benefit subsidies claim. We will seek to rely on the work of Internal Audit wherever possible to reduce further the fee for the audit of grant claims and returns in future years.
- 1.8 Following the publication of its national report: *Review of Arrangements for Certifying Claims and Returns*, the Audit Commission mandated preparation of this report to highlight the importance, raise the profile of certification work and improve the standard 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 time taken to draft, agree and finalise our report.

## 2 Audit of individual grant claims and other returns

- 2.1 At Hastings, the value of claims and other returns certified in 2010/11 amounted to £81.6 million, the most significant claim is the Housing and Council Tax benefit subsidies claim. Claims and returns subject to audit are prepared by the Finance department.

### Housing and Council Tax benefit subsidies claim

- 2.2 The value of housing and council tax benefit subsidy claimed by the Council in 2010/11 amounted to £62.7 million. The Audit Commission specifies the work auditors must complete in auditing the claim. The work is complex and its scope is wide. Auditors must confirm benefit has been calculated correctly and in accordance with the Government's regulations. The work involves reviewing a minimum number of benefit cases (at Hastings 60 cases were initially reviewed in detail across all benefit types).
- 2.3 In 2010/11, the Internal Audit section completed the detailed review of benefit subsidy cases. We agreed protocols with officers at an early stage and worked closely with Internal Audit to review the work produced. Based on our review of a sample of Internal Audit's work, we concluded it was reliable. Our fee for the audit of the benefit subsidies claim therefore reduced by £22,776 compared to the previous year.
- 2.4 The audit of individual cases highlighted a small number errors in awarding benefit, involving the incorrect recording of information (such as entitlement to single person discount; recording of other income and the incorrect classification of a benefit payment). The Audit Commission requires auditors to assess the seriousness of such errors and, where errors are not considered to be 'isolated', an additional sample should be drawn and the financial impact of the error quantified. Accordingly, Internal Audit reviewed relevant aspects of a further 120 cases.
- 2.5 No additional errors were identified and three amendments were made to the final subsidy claim form. The overall value of subsidy claimed was reduced by a trivial amount (£347).

### Other grant claims and returns

- 2.6 The Disabled Facilities grant claim and the Non Domestic Rate Return were submitted to Government departments without amendment and with a standard audit certificate ('unqualified'). No issues arose from our work.

### 3 Summary of certification

3.1 The table below identifies the certification status of the grant claims audited for the year ending 31 March 2011:

Claim	Value of claim £	Qualified/ Unqualified	Number of amendments	Impact of amendments on subsidy £	Fee for the year ended 31 March 2011 £	Fee for the year ended 31 March 2010 £
Housing and council tax benefit subsidy	£62,717,608	Unqualified	3	(£347)	£21,799	£44,575
Disabled facilities grant	£616,000	Unqualified	0	£0	£3,740	£3,015
National non domestic rates return	£18,240,974	Unqualified	0	£0	£5,367	£4,555
<b>Total</b>	<b>£81,574,582</b>				<b>£30,906</b>	<b>£52,145</b>