

Our reference HA003

19 October 2012

The Members
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Dear Ladies and Gentlemen

2011-12 Annual Claims and Returns report

Halton Borough Council receives funding from various grant-paying government departments. The grant-paying departments attach conditions to these grants and the Council must show that it has met those conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important that the Council manages certification work properly. In particular this means that the Council needs to demonstrate to us, as auditors, that:

- an adequate control environment exists for each claim and return; and
- the relevant grant conditions have been met.

For 2011/12 my audit team certified four grant claim returns with a total value of £123.6m. Appendix 1 sets out a full summary of the claims reviewed. Excluding housing benefits, we carried out a full review on one claim and a limited review on two claims. The difference between full and limited reviews is set out at Appendix 2 together with a brief explanation of the certification regime.

I am pleased to report that:

- we were able to fully certify all four of the Council's claims and returns;
- we identified no issues relating to the control environment for claims and returns which required reporting to grant paying departments;
- there were no recommendations arising from my certification work;
- there is no outstanding audit work on 2011/12 claims and returns to transfer to your new audit supplier, Grant Thornton.

We amended two claims for very minor arithmetic errors, none of which affected the Council's grant entitlement overall. We also made a slight amendment to the Housing and Council Tax Benefit claim which resulted in an increase of £662 to the total subsidy claimed by the Council.

These results reflect well on the Council. My audit team did not identify any areas of concern with the Council's grant claim preparation processes. In particular, the Housing and Council Tax Benefit claim has continued to reflect high standards of preparation and accuracy with only one very minor amendment required as a result of my audit team's testing. Across all claims, we received excellent support and co-operation from officers. In addition, all claims were supported by good quality working papers.

As at the end of October 2012 my audit fee for the certification of the Council's grant claims will total £25,489 (estimate).

Yours sincerely

Michael Thomas
District Auditor

Appendix 1: Summary of 2011/12 certified claims up to 31st October 2012

Claim Reference	Value of claim or return £000	Reliance placed on control environment?	Type of review	Value of amendments made by audit	Qualification letter issued?
Housing & Council Tax Benefit (BEN01)	64,153	Yes	N/A	£662 increase in subsidy claimed.	No
Dept for Transport Section 31 Grant (TRA11)	2,500	Yes	Full	None	No
National non-domestic rates return (NNDR3)	49,559	Yes	Limited	De-minimis - no effect on entitlement	No
Teachers Pension Fund (PEN05)	7,396	Yes	Limited	De-minimis - no effect on entitlement	No
Total	123,608				

Appendix 2: Background

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 the grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable.

I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants and subsidies paid by the government departments and public bodies to Halton 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.

The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant-paying departments.

The key features of the 2011/12 arrangements are as follows:

- In all cases the financial limits are by reference to the total amount claimed, rather than the grant allocation, total eligible expenditure, or total amount reported. For projects spanning over more than one year, the financial limit is by reference to the total amount claimable over the lifetime of the project. Each certification instruction provides guidance on the form entries that determine the value of a claim or return. This approach impacts on the amount of grants work we carry out, placing more emphasis on high value claims.
- For claims and returns below £125,000 the Commission does not make certification arrangements (regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions).
- For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure or data. This is a limited review.
- For claims and returns over £500,000 auditors plan and perform 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 appropriate testing is undertaken to agree form entries to underlying records and test the eligibility of expenditure data. This can take the form of limited testing (a limited review) or more detailed testing (a full review).

The work that we undertake to certify the Housing Benefits claim for the Department for Work and Pensions is slightly different. Because of the high value and high risk nature of the claim, the auditor has to test the entries on a Council's claim form, rather than relying on the control environment. In doing this we:

- 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 for Work and Pensions.