

**Our reference** HA003

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Dear Ladies and Gentlemen

## **2010-11 Annual Claims and Returns report**

Halton Borough Council receives a significant amount of funding from various grant-paying departments. The grant-paying departments attach conditions to these grants and the Council must show that it has met these 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 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 2010/11 my audit team certified seven grant claim returns with a total value of £125 million. Appendix 1 sets out a full summary of the claims reviewed. We carried out a limited review on three claims and a full review on four claims. The difference between limited and full reviews is set out at Appendix 2 together with a brief explanation of the audit certification regime.

I am pleased to report that:

- we were able to fully certify all seven of the Council's claims and returns; and
- we identified no issues in relation to the control environment for claims and returns which required reporting to grant paying departments.

We amended three claims. Two were due to changed requirements of the relevant grant-paying departments and one was due to a very minor arithmetic error.

These results reflect well on the Council. My audit team did not identify any areas of concern with the Council's preparation process. 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.

As at the end of November 2011 my audit fee for the certification of the Council's grant claims totalled £28,140 (estimate).

Yours sincerely

Michael Thomas  
*District Auditor*

## Appendix 1: Summary of 2010/11 certified claims

| Claim  | Value of claim or return presented for certification<br>£000 | Reliance placed on control environment? | Value of amendments made            | Qualification letter issued? |
|--|--|---|-------------------------------------|------------------------------|
| Housing & Council Tax Benefit (BEN01)                              | 61,338   | Yes                                     | £2 – due to arithmetic error        | No                           |
| General Sure Start (EYC02)   | 9,485  | Yes                                     | None                                | No                           |
| National non-domestic rates return (NNDR3)                         | 45,250   | Yes                                     | No effect on entitlement            | No                           |
| Teachers Pension Fund (PEN05)                                      | 8,116  | Yes                                     | None                                | No                           |
| NWDA Single Programme – Bayer Crop Science (RG34 – final claim)    | 111*   | Yes                                     | £6k - due to changed requirements   | No                           |
| NWDA Single Programme – EDZ Widnes Waterfront (RG34 – final claim) | 163  | Yes                                     | None                                | No                           |
| Disabled Facilities (HOU21)  | 1,350  | Yes                                     | £618k - due to changed requirements | No                           |

\* Claim spanned more than one year with a total lifetime contribution of £500k

## 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 2010/11 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.
- 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.
- 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.

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. 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.