

# Certification of claims and returns - annual report

Sunderland City Council

Audit 2010/11



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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 2010/11 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.

Claims and returns may be amended where I agree with your officers that this is necessary. Amendments are not always the result of errors by officers. This year, for example, the most significant amendment was due to single programme being extended so that expenditure in 2011/12 could be claimed (leading to a net increase in grant of £4.1m). 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. This year there was one qualification letter, although the issues raised were not significant.

# Summary of my 2010/11 certification work

**The Authority provided excellent working papers, although some claim amendments were necessary.**

Grant claims and returns continue to be supported by excellent working papers. Of the £261m of grant claims subject to audit, there was no loss of grant due to errors by officers. Our work gave rise to amendments to five of the eight claims and returns for the year ended 31 March 2011 that the Authority was required to submit for certification. The most significant change to a claim was Single Programme where amendments to the claim included £4,134,300 of expenditure on projects completed after the draft claim deadline. Inclusion of these projects was allowed because of the demise of the grant paying body (One North East).

We also issued one qualification letter for the New Deal for Communities grant.

Table 1: **Summary of 2010/11 certification work**

<b>Number of claims and returns certified</b>	
Total value of claims and returns certified	8
Number of claims and returns amended due to errors	5
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	1
Total cost of certification work	£40,460

# Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

Grant claims and returns continue to be supported by excellent working papers. The Council's grants coordinator monitors the submission of grant claims and provides a quality review to ensure that suitable working papers are presented to us. Officers are experienced in claim preparation and have a good knowledge of grant schemes. Our good working relationships with officers have helped us meet certification deadlines.

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	142,136	Our approach to this claim does not allow reliance.	None	No
National Non-Domestic Rates Return	73,079	No	£1,697,716. No financial impact - see below.	No
Teachers' Pensions Return	17,972	No	£14,526. No financial impact - see below	No
Sure Start, Early Years and	14,642	No	£1 rounding error	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?
Childcare Grant and Aiming High for Disabled Children Grant				
Disabled Facilities	1,029	No	None	No
New Deal for Communities	3,725	No	£774,104. No impact on grant funding - see below	Yes - see below
Single Programme	8,224	No	£4,099,591 net additional grant claimed due to extended timeframe for claim – see below	No

## National Non-Domestic Rates Return

Our work highlighted two errors that required amendments to the return:

- there was a calculation error of £1,605,298 on Small Business Rate Relief; and
- a notional figure was included in the calculation of void and deleted properties. There was a difference of £92,418.

However, because of the way the claim is prepared, there was no change to the net position on the return.

## Teachers' pension return

The return wrongly included £14,526 that related to March salaries for two schools that had become academies. This amount was to be included in the academy's return. This is not a grant claim and no funding was lost as a result of the amendment.

## New Deal for Communities (NDC)

We issued a qualification letter for the NDC claim that included:

- a number of payments amounting to £55,391 had been included in claims by an external grant claimant. These payments covered a range of services, including VAT advice, conversion to charitable status and property management contracts. The grant applicant was not able to demonstrate that the procurement of these services was in accordance with NDC procurement guidance;
- our 2008/09 qualification letter highlighted payments by an external grant claimant to a supplier where the need for tendering was not identified. The supplier selected was one that had been shown to offer the best value for money on a previous similar contract. Payments continued to be made to this supplier in 2010/11 to the value of £27,162; and
- one of the externally-led projects included in the NDC claim made small charges for activities but did not record the income received. While the amount involved could not be quantified, verification work concluded that ultimately the income was used for the benefit of the project.

Because of the Council's verification work, match funding figures were increased by £774,104 to reflect officers' findings. However, this did not impact on NDC grant receivable.

## Single Programme

Because of the demise of the grant paying body (One North East), claims for completed projects need to be submitted promptly. Another £4,134,300 was included in the final claim because of two projects being completed after the deadline for presenting the draft claim.

£34,709 known future costs were removed from the claim as these had not been defrayed before the submission deadline for the final claim. This amount however has since been accepted by One North East and subsequently no grant loss has occurred.

Table 3: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Flood and coastal erosion management	149	None	No

# Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 4: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£20,733	£17,944	Additional sample testing undertaken to explore an error identified in extended payments.
National non-domestic rates return	£4,425	£3,868	Additional work on resolving errors.
Teachers' pensions return	£2,430	£2,890	Smaller sample sizes used due to low risk assessment.
Sure start, early years and childcare grant and aiming high for disabled children grant	£2,813	£3,145	Smaller sample sizes used due to low risk assessment.
Disabled facilities	£2,345	£631	Reliance placed on control environment in previous two years. Our approach is that full testing is carried out every three years.
Flood and coastal erosion management	£988	N/A	N/A



Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
New deal for communities	£3,958	£6,163	Scheme winding down and fewer projects.
Single programme	£2,768	£4,930	Smaller sample sizes used due to low risk assessment.
<b>Total Fee</b>	<b>£40,460</b>	<b>£39,571</b>	
Estimated Fee in the Audit Fee Letter	£43,960	£40,250	
<b>Saving against Estimated Fee</b>	<b>£3,500</b>	<b>£679</b>	

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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.

