

# Sunderland City Council

## Certification of Claims and Returns Annual Report 2012/13

November 2013



# Contents

Background .....	2
Findings .....	3
Certification fees .....	4
Appendix.....	5

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies.' Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

# 01

## Background

Sunderland City Council (the Council) receives more than £366m in funding from various grant-paying government departments. These departments may attach conditions and restrictions to these grants which the Council must meet otherwise funding may be withdrawn or clawed-back.

It is therefore important that the Council can demonstrate that it:

- Has put in place adequate arrangements to prepare and authorise each claim and return; and
- Can evidence that it has met the terms and conditions put in place by the grant paying body for each claim and return.

### The scope of our work

As the Council's appointed auditor, we act as an agent of the Audit Commission to certify specified claims and returns.

The Audit Commission, in consultation with the grant-paying bodies, sets out a programme of work in the form of Certification Instructions (CIs) that we must follow. It also sets an overall framework under which we carry out our certification work:

- For claims and returns below £100,000 the Audit Commission does not make certification arrangements and as such we are not required to carry out any certification work.
- For claims and returns between £100,000 and £500,000, the Audit Commission requires us to undertake limited tests to ensure that entries on the claim form agree with underlying records.
- For claims and returns over £500,000, we assess the control environment the Council has put in place for preparing the claim to decide whether we can place reliance on these arrangements. Where we can place reliance on the Council's arrangements we undertake limited testing to ensure that entries on the claim form agree with underlying records (as above). Where we cannot place reliance on the Council's control environment we carry out the full programme of testing in the Audit Commission's CI.

### Our certificate

On completion of the specified work we issue a certificate, the wording of which depends on the level of work we have performed on each claim. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter.

Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

# 02

## Findings

### **The Council's control environment**

As required by the Audit Commission's CIs, we have assessed the control environment for two claims and returns. There are specific arrangements for the certification of the Housing and Council Tax Benefit claim which do not require us to assess the control environment.

For the two claims we assessed, we were unable to rely on the control environment and carried out the full programme of testing in the Audit Commission's CI. This was because there have been some issues in relation to these claims in recent years.

### **Amendments and Qualifications**

Of the three claims and returns we certified in 2012/13, two were qualified and two were amended by the Council. None of the issues identified were significant, particularly in the context of the claim and return values certified.

Our testing of the detailed transactions supporting entries in the Housing and Council Tax Benefit Subsidy claim identified minor errors. Due to the arrangements in place for the certification of this claim, we were required to report our findings to the responsible department, DWP. The financial impact of the errors identified and reported is nil to the Council due to technical adjustments which are reflected in the claim.

Our work on the National Non-Domestic Rates Return identified that there was a minor software issue affecting accounts where arrangements to pay by instalments had been made. The maximum financial impact to the Council would be a loss of £692, although it was for the sponsoring department, DCLG, to make a decision on this.

Appendix A to this report provides a full analysis of all claims and returns on which we carried out certification work.

# 03

## Certification fees

For 2012/13 the total fees charged for certification work was £16,050. This represents a significant (56.5%) reduction on fees charged in 2011/12 (£36,945) as a result of a change in the way that the Audit Commission charges Councils for certification work. In previous years certification work was charged on the basis of actual hours spent undertaking the work; this has changed to be a set amount which is determined based on a 40% reduction of the actual fee which was charged for our certification work in 2010/11.

A breakdown of the fees charged for each claim or return is provided in Appendix A.

# Appendix

## Summary of certified claims and returns

### Claims and returns above £500,000

Claim or return	Value	2011/12 fee	2012/13 fee	Reasons for significant movement	Amended	Qualified
Housing and Council Tax Benefit Scheme	£152,969,606	£23,822	£11,669	Significant decrease due to the change in the Audit Commission's approach to the setting of fees for certification work.	Overall subsidy payable to the Council increased by £90.	A qualification letter was issued in respect of this claim. Relatively minor issue.
National non-Domestic Rates Return	£80,612,953	£10,395	£2,828		No	A qualification letter was issued in respect of this claim. Relatively minor issue.
Teachers' Pensions Return	£14,980,831	£2,728	£1,553		Minor amendments were made to the claim.	No
<b>Total</b>	<b>£248,563,390</b>	<b>£36,945</b>	<b>£16,050</b>			