

# Certification of claims and returns - annual report

Sunderland City Council

Audit 2011/12



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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 2011/12 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 would have undertaken limited tests to agree form entries to underlying records, but there were no such claims in 2011/12; 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. There were three of these claims and returns in 2011/12.

Claims and returns may be amended where I agree with your officers that this is necessary. 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 were no qualification letters.

# Results of 2011/12 certification work

The 2011/12 certification work for the Council comprised checking three major claims. Our work was completed within budget and all of the claims were successfully certified. Notably our work resulted in the Council's contribution to the national NNDR pool being reduced by £1.9m.

Grant claims and returns continue to be supported by good 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 1: 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	148,550	Our approach to this claim does not allow reliance.	None	No
National Non-Domestic Rates Return	79,376	No	Significant reduction of £1.921m in the amount due to the NNDR pool (explained below table).	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?
Teachers' Pensions Return	16,888	No	Very minor amendment of less than £1k.	No

## National Non-Domestic Rates Return

We planned to spend additional time on the NNDR return this year given the implementation of a new Civica computer system.

Two significant issues arose during the audit that required amendment to the return:

- an error in the treatment of the bad debt provision which led to an adjustment of £950k;
- revisions to reductions in gross rates payable relating to previous years transactions and some adjustments to discretionary reliefs, which led to a £971k reduction in the amount due to the NNDR pool. These arose due to issues experienced by officers in identifying the correct figures within the new Civica system.

The combined effect of the amendments was a £1.921m reduction in the amount payable by the Council to the NNDR pool.

In addition, the Council's financial statements were amended to reflect the revised NNDR return.

# Summary of certification fees

This section summarises the fees arising from my 2011/12 certification work and highlights the reasons for any significant changes in the level of fees from 2010/11.

Table 2: Summary of certification fees

Claim or return	2011/12 fee	2010/11 fee	Reasons for changes in fees
Housing and council tax benefit scheme	£23,822	£20,733	Additional work undertaken to explore whether an error that had been identified was isolated or not.
National non-domestic rates return	£10,395	£4,425	Additional work planned due to new Civica NNDR system implementation, plus two errors which resulted in a £1.921m reduction in the amount payable by the Council to the NNDR pool.
Teachers' pensions return	£2,728	£2,430	Further exploration of issues that resulted in a relatively minor amendment to the claim of less than £1k.
Other claims and returns	£0	£12,872	No other returns required our audit certification this year.

Claim or return	2011/12 fee	2010/11 fee	Reasons for changes in fees
<b>Total Fee (the sum of fees from individual claims identified on the previous page)</b>	<b>£36,945</b>	<b>£40,460</b>	The 2011/12 total fee was £3.5k / 8.7% less than 2010/11
Estimated Fee in the Audit Plan 2011/12	£38,070	£43,960	<p>The estimated fee in the Audit Plan issued in January 2012 was based on previous work undertaken but then adjusted for:</p> <ul style="list-style-type: none"> <li>• Fewer claims expected in 2011/12</li> <li>• More time on the NNDR return to take account of the implementation of the new Civica system</li> </ul>
<b>Variance against Estimated Fee</b>	<b>-£1,125</b>	<b>-£3,500</b>	<b>In 2011/12 the total fee was just over £1k less than that estimated in the Audit Plan</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.

