

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 20 February 2015.

Subject:

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Certification of claims and returns 2013/14

Summary statement:

The report summarises the external auditor's certification work on claims within the Audit Commission's grant regime for 2013/14.

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1. SUMMARY

This report summarises the external auditor's certification work on claims within the Audit Commission's grant regime for 2013/14.

2. BACKGROUND

As the Council's appointed external auditor we act as agent of the Audit Commission to certify specified claims in line with certification instructions issued by the Audit Commission.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee considers the report on the certification work.

11. APPENDICES

The report on certification of claims and returns is attached as a separate document.

12. BACKGROUND DOCUMENTS

None.

City of Bradford Metropolitan District Council

Certification of claims and returns

Annual report 2013/14

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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.

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Background

City of Bradford Metropolitan District Council ('the Council') receives more than £182m in funding from grant-paying government departments which require certification within the Audit Commission's grant regime. These departments 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 £125,000 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 £125,000 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.

During the year we have also been engaged by the Council to undertake assurance work on the following claims and returns outside the Audit Commission's grants regime:

- Regional Growth Fund (fee £2,000);
- Home and Communities Agency (fee £3,100 for 2 claims);
- Teachers' pensions contributions (fee £2,000); and
- Department for Education's Assessed and Supported Year Programme (fee £300).

As these engagements are outside of the Audit Commission's regime we have reported separately to officers on the outcome of this work.

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.

The concept of materiality does not apply to certification of claims and returns in that any matters arising, other than agreed amendments, are reported to the grant-paying department in a qualification letter. This differs from the audit of the financial statements where a threshold is applied so that minor matters are not reported. As a consequence, the issue of qualification letters for some claims is common to many local authorities.

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.

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Findings

The Council's control environment

As required by the Audit Commission's CIs, we have assessed the control environment for the one claim within the scope of the Audit Commission's certification arrangements.

We have not identified any weaknesses in the control environment for the preparation of the claim.

All prior year recommendations have been implemented. There were no recommendations arising from our 2012/13 certification report.

Amendments and Qualifications

Housing benefit subsidy

We issued a qualification letter to the Department of Work and Pensions (DWP), in line with the Audit Commission's certification instructions, primarily relating to errors in the calculation of earned income.

Our initial testing identified two cases where earned income had been calculated incorrectly which resulted in an overpayment of benefit. We undertook additional testing of a sample of 40 cases and identified four further errors in the calculation of earnings.

We reported in our qualification letter that given the nature of the population it was unlikely that even significant additional work would allow us to conclude that the relevant cell in the subsidy claim is fairly stated. If the DWP decide to extrapolate the identified errors from the test sample to the whole relevant population it would reduce subsidy by £55,530.

Management has put in place measures to reduce the likelihood of reoccurrence of this error next year including the introduction of a 10% check of all cases where a change in earnings has been input. Managers' meetings are used to discuss errors and to identify areas where additional training is required.

We also reported three other errors which if extrapolated by DWP would further reduce subsidy by £978. Management has also strengthened arrangements to minimise the likelihood of reoccurrence of the errors.

The claim was amended following agreement with management which increased the subsidy claimed by £484.

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Certification fees

For 2013/14 the total fees charged for certification work was £22,027 plus VAT. The fees have reduced by £16,423 from the 2012/13 fees of £38,450 plus VAT as a result of a reduction in the number of claims and returns for which the Audit Commission has made certification arrangements.

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

Appendix A – Summary of certified claims and returns

Claims and returns between £125,000 and £500,000

There were no claims in this category in either 2012/13 or 2013/14.

Claims and returns above £500,000

Claim or return	Value	2012/13 fee	2013/14 fee	Reasons for significant movement	Amended	Qualified
Housing benefit and council tax benefit subsidy	182,080,765	29,881	22,027	Reduction in scale fee set by the Audit Commission reflecting prior year improvements in claim preparation.	Yes, increase in subsidy claimed by £484	Yes
National non-domestic rates	Not applicable	2,403	0	Certification not required for 2013/14.	N/a	N/a
Teachers' pensions contributions	Not applicable	6,166	0	Certification not required for 2013/14 under the Audit Commission's arrangements.	N/a	N/a
Total	182,080,765	38,450	22,027			