

City of Bradford Metropolitan District Council

Certification of claims and returns

Annual report 2014/15

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Background

City of Bradford Metropolitan District Council ('the Council') receives from grant-paying government departments more than £179m in funding. This funding requires certification as part of Public Sector Audit Appointments' grant regime (previously a function of the Audit Commission) and government departments attach conditions and restrictions to grants which the Council must meet otherwise funding may be withdrawn or clawed-back.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 Public Sector Audit Appointments (PSAA) to certify specified claims and returns.

PSAA, 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. The framework includes the following elements:

- For claims and returns below £125,000 PSAA 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, PSAA 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 PSAA's CI.

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

- Home and Communities Agency (fee £1,500 for 2 claims);
- Regional Growth Fund (fee £1,750); and
- Teachers' pensions contributions (fee £2,100).

As these engagements are outside of PSAA'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 PSAA's certification instructions, we have assessed the control environment for the one claim within the scope of PSAA's certification arrangements.

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

Amendments and Qualifications

Housing benefit subsidy

We issued a qualification letter to the Department of Work and Pensions (DWP) on 27 November 2015, in line with PSAA's certification instructions, primarily relating to errors in the calculation of earned income.

As a result of errors identified in 2013/14 we carried out extended testing on cases with earned income in line with the certification instructions. We identified five errors in the calculation of earnings in our sample of 40 cases although one error did not affect subsidy.

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 £77,586.

Management continues with targeted checking of earnings calculations to reduce the likelihood of errors. Management review the findings regularly to consider whether the percentage checks on these cases need to be increased and to identify and staff training or development needs.

The claim was amended following agreement with management which decreased the subsidy claimed by £546. This was as a result of testing undertaken by both ourselves and the Council of local scheme cases.

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Certification fees

For 2014/15 the total fees charged for certification work was £26,310 plus VAT which covers the certification of the housing benefits subsidy claim. The scale fees for 2015/16 will reduce to £16,520 plus VAT.

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 2014/15 or 2013/14.

Claims and returns above £500,000

Claim or return	Value	2013/14 fee	2014/15 fee	Reasons for significant movement	Amended	Qualified
Housing benefit subsidy	179,724,102	22,027	26,310	Increase in scale fee set by the Audit Commission. The scale fee for 2015/16 will reduce to £16,520.	Yes, decrease in subsidy claimed by £546	Yes
Total	179,724,102	22,027	26,310			