

Durham County Council

Certification of claims and returns

Annual report 2013/14

February 2015



Contents

Background	2
Findings	4
Certification fees	5
Appendix A – Summary of certified claims and returns	6

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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01

Background

Durham County Council ('the Council') receives more than £1bn in funding from various grant-paying government departments. 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departments attach conditions and restrictions to these grants which the Council must meet otherwise funding may be withdrawn or clawed-back.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.

In the Annual Audit letter (AAL) presented to members on 27 November 2014 we noted that as at 30 September 2014 we had also been engaged directly during the year by the Council to undertake the following assurance work:

- Homes and Communities Agency return (travellers) - fee £2,000 (last year not applicable)
- School Centred Initial Teacher Training return (SCitt) for 2012/13 (scheme removed from AC certification regime (scale fee £2,226) in 2012/13 and was originally shown as certification work – fee £1,000;
- Decent Homes Backlog Programme Funding return - fee £2,550 (last year £2,500); and
- European Regional Development Fund NETPark Connector project claim - fee £1,500 (estimate £1,350 per AAL and last year £1,200).

In addition, in November 2014 we were engaged directly by the Council during the year to undertake assurance work on the Teachers' Pensions Return as it is no longer a requirement for certification under

the Audit Commission regime (fee £5,900) and also work on the Section 256 Pooled budget returns for the two Durham CCGs (fee £2,500).

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. 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

There are specific arrangements for the certification of the Housing Benefit claim which do not require us to assess the control environment.

As required by the Audit Commission's CIs, we assess the control environment for claims and returns other than Housing Benefit claim. There was one claim (pooling of capital receipts return) where we assessed the control environment, however due to the technical nature of the claim we were unable to rely on the control environment in place. This resulted in us carrying out detailed testing of the entries in the claim.

Amendments and Qualifications

Appendix A to this report provides further details of the returns certified in 2013/14 compared to 2012/13.

Housing and Council Tax Benefits Subsidy claim

As in previous years and in common with many other authorities, minor errors and minor differences in reconciliations supporting the Housing Benefits Subsidy claim were identified. The return was amended and matters arising were included in a qualification letter to the Department in which reported extrapolated errors in relation to the calculation of earned income, to charges applied to non dependents income and to incorrect self employed client information.

As in previous years, additional testing was completed by the Authority testing a further 40 cases looking at the specific issues which arose in the prior year. We then carried out our own re-performance of a sample of these cases. This year, in several areas, the additional work carried out on the prior year issues has resulted in no fails at all being identified for 2013/14.

The number and severity of the issues identified and reported continues to decrease significantly for the Housing Benefit return, reflecting ongoing improvements in practices and arrangements for administering this complex scheme.

Pooling of housing capital receipts return

The 2013/14 Return was subject to amendment but no qualification letter was needed. We amended the return for three errors noted with regard to archetype of properties and these impacted on the Quarterly Attributable Debt entries on the claim.

We are grateful to the officers of the Council, in particular for the Housing Benefits subsidy return; their continued cooperation and prompt responses to queries is appreciated.

03

Certification fees

For 2013/14, the total fees charged for certification work was £26,995. This represents a reduction on fees charged in previous years (£50,974) as a result of:

- a reduction in the number of claims and returns for which the Audit Commission has made certification arrangements;
- the Audit Commission setting the scale fee anticipated for the Housing Benefits subsidy return, based on the fees charged in previous years and also further reduced to take into account the end of Council Tax benefits.

A breakdown of the fees charged in 2013/14 compared to 2012/13 is included at Appendix A.

Appendix A – Summary of certified claims and returns

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

Claim or return	Value	2012/13 fee	2013/14 fee	Reasons for significant movement	Amended	Qualified
None						

Claims and returns above £500,000

Claim or return	Value	2012/13 fee	2013/14 fee	Reasons for significant movement	Amended	Qualified
Housing Benefits scheme	£185,867,500	£36,597	£26,749	Scale fee set by the Audit Commission (AC) based on the previous year's fee and also reduced to take into the account the end of Council Tax benefits.	Overall subsidy payable to the Council increased by £5,355.	A qualification letter was issued in respect of this claim.
National non-domestic rates return	n/a	£9,950	n/a	N/a - no longer a requirement for certification in 2013/14. We undertook additional audit testing to obtain sufficient assurance over the relevant entries in the Council's accounts with a resulting very small increase in audit fees for Code audit work of £540. This additional audit fee was in line with guidelines provided by the AC to all auditors.	n/a	n/a
Teachers' pensions return	£27,153,342	£1,355	n/a	Not applicable – no longer a requirement for certification under the Audit Commission regime*	n/a	n/a
Pooling of housing capital receipts	£2,789,363	£3,072	£246	Scale fee set by the Audit Commission.	Yes	No
Total	£188,656,863	£50,974**	£26,995			

***Teachers' pensions return:** as indicated earlier in this report, this return is now outside the Audit Commission regime and we were engaged by the Council directly to carry out this work in November. We noted last year that we had kept the actual fee at the scale fee £1,355 but noted that substantial additional time had been taken to certify this claim due to errors on the return. We set out recommendations for the improvement future and noted that additional fees would be payable in future years if additional work should again be required. This was the case and the actual fee charged for the work in 2013/14 was £5,900. As part of this work we have issued a short report to officers suggesting how improvements can be made in preparing the claim and providing working papers to support the return, which will hopefully reduce the amount of work required for the 2014/15 return.

** Last years grants fee total £53,200 included the School Centred Initial Teacher training return scale fee £2,226 which was not done under AC regime - see Section 1.