



*cutting through complexity™*

# Certification of grants and returns 2010/11

Wiltshire Council

February 2012



**The contacts at KPMG in connection with this report are:**

**Chris Wilson**

*Partner*

*KPMG LLP (UK)*

Tel: 0118 964 2238

[christopher.wilson@kpmg.co.uk](mailto:christopher.wilson@kpmg.co.uk)

**Darren Gilbert**

*Senior Manager*

*KPMG LLP (UK)*

Tel: 0292 046 8205

[darren.gilbert@kpmg.co.uk](mailto:darren.gilbert@kpmg.co.uk)

**Rachael Tonkin**

*Manager*

*KPMG LLP (UK)*

Tel: 0117 905 4654

[rachael.tonkin@kpmg.co.uk](mailto:rachael.tonkin@kpmg.co.uk)

**Duncan Laird**

*Assistant Manager*

*KPMG LLP (UK)*

Tel: 0117 905 4253

[duncan.laird@kpmg.co.uk](mailto:duncan.laird@kpmg.co.uk)

	<b>Page</b>
■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	6
■ Recommendations	7

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, who is the engagement leader to the Council (telephone 0118 964 2238, e-mail [christopher.wilson@kpmg.co.uk](mailto:christopher.wilson@kpmg.co.uk)) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Introduction and background	<p><b>This report summarises the results of work on the certification of the Council's 2010/11 grant claims and returns.</b></p> <ul style="list-style-type: none"> <li>For 2010/11 we certified eight grants and returns with a total value of £307.9m.</li> </ul>	-
Certification results	<p><b>We issued six unqualified and two qualified certificate for the grants and returns.</b></p> <ul style="list-style-type: none"> <li>This means that we were generally happy that the Council complied in all significant respects with the terms and conditions of the schemes that we reviewed and prepared claims that were fairly stated (following amendment in some cases), but identified issues to report to central government in two cases.</li> </ul>	Pages 3 – 5
Audit adjustments	<p><b>Adjustments were necessary to five of the Council's grants and returns as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>However, all adjustments were insignificant in nature which is in line with the previous year.</li> </ul>	Pages 3 – 5
The Council's arrangements	<p><b>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required.</b></p> <ul style="list-style-type: none"> <li>The grant audit process has improved from the prior year, as can be seen by the reduction in the fee. However, we recommend that the grant audit process is managed centrally by the finance team in 2012 as we anticipate that this would enable the Council to gain further efficiencies.</li> <li>In addition, we recommend that staff responsible for preparing and collecting the data for the grants are reminded of the importance of retaining sufficient evidence to support our certification work.</li> </ul>	Page 7
Fees	<p><b>Our overall fee for the certification of grants and returns of £70,677, which is under our original estimate of £79,828.</b></p> <ul style="list-style-type: none"> <li>One grant, Integrated Transport Package, was expected to be audited at the time the budget was drafted, did not require an audit which reduced time and costs.</li> <li>In addition further efficiencies were achieved through the management of the grant certification process.</li> <li>The 2011 certification fees are also significantly lower than the previous year which again reflect the improvement in managing the grant process within the Council, particularly for the Housing Benefit &amp; Council Tax Benefit claim.</li> </ul>	Page 6

Overall, we certified eight grants and returns:

- three were unqualified with no amendment;
- three were unqualified but required some amendment to the final figures; and
- two required a qualification to our audit certificate and amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2010/11 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefits	1	●		●	
Pooling Of Capital Housing Receipts					●
Sure Start					●
HRA Subsidy Final Data	2			●	●
HRA Subsidy Base Data	3	●		●	
Disabled Facilities					●
National Non Domestic Rates	4			●	●
Teachers' Pension Returns	5			●	●
		2	0	5	6

## Summary of certification work outcomes (continued)

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p><b>Housing &amp; Council Tax Benefits claim</b></p> <ul style="list-style-type: none"> <li>A small number of amendments were made to the Housing Benefit claim, resulting in an overall reduction to the total subsidy claimed of £19,196 (for a claim with a total value of £131 million). The majority of amendments related to the mis-classification of overpayments.</li> <li>The claim was qualified due to the following: <ul style="list-style-type: none"> <li>The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differed by £425 for one cell in relation to the Kennet hub.</li> <li>Our sample testing identified four cases of under paid rent allowances in the Kennet hub. These occurred as a result of the Council not identifying all of the relevant allowances. The total underpayment amounted to £32 for these four claims. Whilst the nature of this issue means that subsidy had not been over claimed by the Council, the Audit Commission requires that any underpayments (regardless of value) are highlighted through a qualification letter to the Department for Work and Pensions.</li> <li>The Council submitted its claim form prior to running one of the required software patches which affected certain figures in the claim form. This resulted in an over claim of subsidy of £2,146 for the Kennet hub.</li> </ul> </li> <li>Our certificate was otherwise unqualified for the remainder of this particular grant claim, which covered approximately £131 million of grant income claimed by the Council through the subsidy system.</li> </ul>	- £19,196
2	<p><b>HRA Subsidy Final claim</b></p> <ul style="list-style-type: none"> <li>Two numbers within the grant required amendment as they did not agree to the audited financial statements. The impact of the amendment was to increase the grant by £16,395 to £7,461,942.</li> </ul>	+ £16.395
3	<p><b>HRA Subsidy Base Data return</b></p> <ul style="list-style-type: none"> <li>The return was qualified as the Council could not provide supporting evidence for the total number of void dwellings as at 1 April 2011. The data for voids is extracted from a 'live' system and was not retained at the time the return was prepared, therefore supporting evidence could not be obtained retrospectively. There was no immediate financial impact as a result of this qualification, but the revised figure will be used to determine future subsidy entitlement.</li> <li>The estimated amount of loan principal outstanding on 1 April 2012 of £1,364,019 required amendment as a result of a transposition error. There was no immediate financial impact as a result of this change.</li> </ul>	-

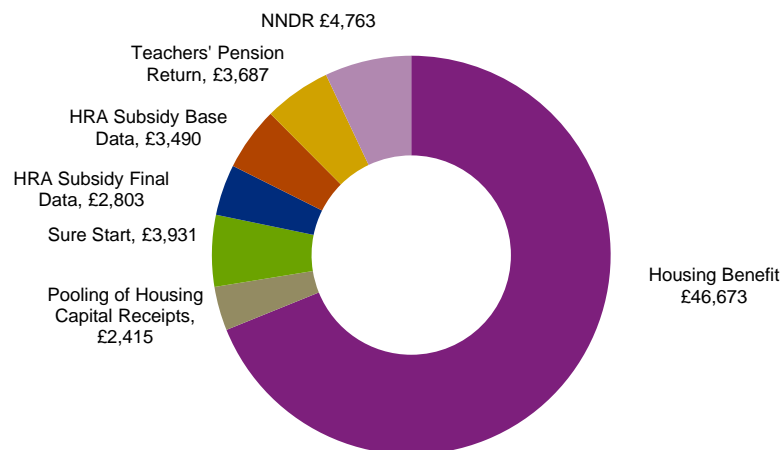
## Summary of certification work outcomes (continued)

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
4	<p><b>National Non Domestic Rates return</b></p> <ul style="list-style-type: none"> <li>The return required an amendment of £345,753, as it was identified that numbers within the return did not agree to the numbers within the year end financial statements. On investigation it was identified that there had been an error in the data download from the Revenue &amp; Benefits system.</li> </ul>	<b>+£345,753</b>
5	<p><b>Teachers' Pension return</b></p> <ul style="list-style-type: none"> <li>The amendment of £812 was made by management to the original form as it was identified that the numbers did not cast.</li> </ul>	<b>+£812</b>

Our overall fee for the certification of grants and returns has been contained within the original estimate.

### Breakdown of certification fees 2010/11



### Breakdown of fee by grant/return

	2010/11 (£)	2009/10 (£)
Housing Benefit & Council Tax Benefit	46,673	57,238
Pooling Of Housing Capital Receipts	2,415	2,813
Sure Start	3,931	5,220
HRA Subsidy Final grant	2,803	3,000
HRA Subsidy Base Data Return	3,490	3,020
Disabled Facilities	2,915	4,345
Teachers' Pension Return	3,687	4,140
National Non Domestic Rates (NNDR)	4,763	5,430
Salisbury Integrated Transport Package	-	1,810
<b>Total fee</b>	<b>70,677</b>	<b>87,015</b>

Our initial estimated fees for certifying 2010/11 grants and returns was £79,828. The actual fee charged of £70,677 was lower than that estimate.

The main reasons for the fee being lower the original estimate were:

- the efficiencies gained within the Housing Benefit and Council Tax benefit grant; and
- the Integrated Transport Package grant return that was completed last year and was budgeted to be completed this year, was not required.

We have made two recommendations on pages 7 and 8 which should help minimise certification fees in the future.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

### Priority rating for recommendations

<p><b>1</b> Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p><b>2</b> Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
--	---	---

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p><b>Central finance oversight of grants and returns</b></p> <p>This year the grants and returns have been submitted by the service departments and dealt with by their related finance contacts.</p> <p>This has meant that several grants and returns were submitted for audit without a final high level finance review, which may have reduced the level of audit queries and amendments on some of the grant forms.</p>	<p>Finance team may not be aware of the grant submissions and whether the numbers being submitted reconcile with the financial statements until late in the certification process, which then requires late amendment and creates inefficiency in the process.</p>	<p><b>R1</b></p>	<p>Designate a single central contact in Finance to control the preparation and submission of grants and returns, and to liaise with KPMG over their certification.</p>	<p><b>2</b></p> <p>All grants will be submitted to KPMG via the Chief Accountant in future.</p>	<p>M Tiller February 2012</p>
<p><b>Retaining audit evidence</b></p> <p>During the review of the HRA Subsidy Base Data return it was found that although the information had been extracted from the required supporting systems (in this case the Libra Client System), and entered into the return, supporting evidence was not retained from the system.</p> <p>In this instance as Libra Client is a 'live' system it was not possible to reproduce the required audit evidence retrospectively, which resulted in a qualified report.</p>	<p>The lack of supporting evidence resulted in a qualified report, therefore it is important to retain all supporting documentation on the required dates.</p>	<p><b>R2</b></p>	<p>Provide staff preparing grant and returns with clear instructions on retaining documentation for grant and returns at the required time.</p>	<p><b>2</b></p> <p>Grants submitted to KPMG will be controlled centrally in Technical Finance. They will liaise with relevant staff to ensure relevant documentation is available for audit.</p>	<p>M Tiller March 2012.</p>





*cutting through complexity™*

© 2012 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).