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Certification of grants and returns 2012/13

Wiltshire Council

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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 Darren Gilbert, who is the engagement leader to the Authority (telephone 0292 046 8205 e-mail darren.gilbert@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) 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 Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

<p>Introduction and background</p>	<p>This report summarises the results of work on the certification of the Authority's 2012/13 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2012/13 we certified: <ul style="list-style-type: none"> – one grant with a total value of £145.8m; and – three returns with a total value of £151.9m. 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for three grants and returns but qualification was necessary in one case.</p> <ul style="list-style-type: none"> ■ We qualified our certificate relating to the Housing & Council Tax Benefits Scheme. This was a result of a number of errors identified in relation to the classification of overpayments and the recording of claimant income. Despite undertaking additional testing, it was not possible to determine the total value of these errors as a result of the large number of claims involved in the grant. ■ This result is similar to the prior year which also saw the Housing & Council Tax Benefits Scheme receive a qualified certificate as a result of similar issues. 	<p>Page 3</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to one the Authority's grants as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ Adjustments were required in relation to the Housing & Council Tax Benefits Scheme to address incorrect classification of payments as having been backdated, the removal of a claim where the electronic evidence had been corrupted, and to process corrections required by a system reconciliation report which had not been run by Authority officers as part of the claim completion process. 	<p>Page 3</p>
<p>The Authority's arrangements</p>	<p>The Authority has good arrangements for preparing its grants and returns and supporting our certification work.</p> <ul style="list-style-type: none"> ■ We have raised one recommendation in relation to the preparation of grants and returns as a result of the omission of a required reconciliation report from the production of the Housing & Council Tax Benefit Scheme. This recommendation reflects the need to ensure that all necessary preparation processes are complied with in order to avoid errors in future years. 	<p>Pages 3-5</p>
<p>Fees</p>	<p>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Authority of £34,550. Our actual fee for the certification of grants and returns was £37,052.</p> <ul style="list-style-type: none"> ■ The difference was due to changes in the level of work required to certify the Authority's grants and returns. ■ The fee represents a significant reduction compared to the certification fees charged for 2011/12 as a result of the change in the fee regime applicable to certification work ■ We will work with the Authority's officers in order to streamline the certification process in relation to the Housing & Council Tax Benefit Scheme so as to minimise fees in the future. 	<p>Page 4</p>

Overall, we certified four grants and returns:

- three were unqualified with no amendment; and
- one required amendment and a qualification to our audit certificate.

The table summarises the key issues behind the adjustment and qualification.

Detailed below is a summary of the key outcomes from our certification work on the Authority's 2012/13 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.

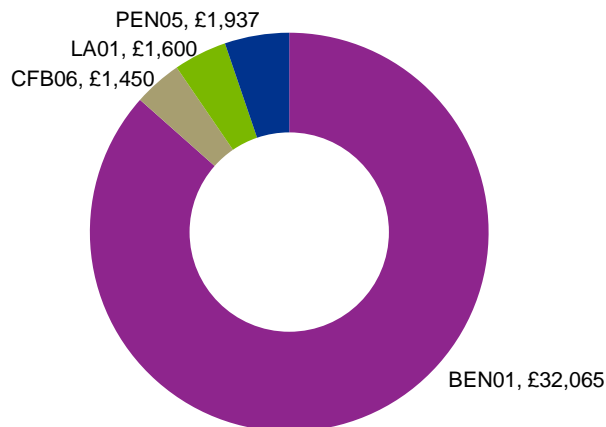
A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Authority to satisfy itself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

	Comments below	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefit	1				
Pooling of Housing Capital Receipts					
National Non Domestic Rates return					
Teachers' Pensions return					
		1	-	1	3

Ref	Summary observations	Amendment
1	<p>Housing & Council Tax Benefit</p> <ul style="list-style-type: none"> ■ A net adjustment of £4,888 was required in order to <ul style="list-style-type: none"> ■ remove one claim where the supporting electronic evidence had been corrupted; ■ process entries required as a result of a system reconciliation report which the benefits team had omitted during the completion of the claim form; and ■ post adjustments for payments incorrectly categorised as having been backdated. ■ Further to these adjustments, qualification of our certificate was required as a result of misclassification of overpayments and incorrect recording of income. Due to the nature of the errors giving rise to the qualification it was not possible to calculate the total error value. 	- £4,888

Our overall fee for the certification of grants and returns is higher than the indicative fee originally set by the Audit Commission, but is significantly lower than the previous year.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	32,065	42,736
CFB06 – Pooling of Housing Capital Receipts	1,450	753
LA01 – National Non Domestic Rates return	1,600	4,415
PEN05 – Teachers' Pensions return	1,937	3,199
HOU01 – HRA Subsidy	-	2,325
Total fee	37,052	63,428

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Authority of £34,055. Based on the actual work we carried out the actual fee we charged was higher than the indicative fee, at £37,052. The main reasons for the fee exceeding the indicative fee were:

- we identified an increased number of errors in the Housing & Council Tax Benefits claim and under the Commission's HBCOUNT approach, we consequently carried out more detailed testing of benefit cases. In addition, delays were encountered by KPMG in the provision of evidence by the Authority's benefits team, to support the calculation of benefit entitlements; and
- in accordance with the Commission's three year cyclical approach we did not undertake the detailed testing this year that was included in the original indicative fee for the National Non-Domestic Rates return and Teachers' Pensions return.

The increased fee in relation to the Pooling of Housing Capital Receipts reflects the fact that the required return has been significantly changed for the 2012/13 year and therefore required a greater volume of work. This work was maintained within the indicative fee.

We will work with the Authority's officers in order to streamline the certification of the Housing and Council Tax Benefit Scheme for 2013/14 to help the Authority 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>1 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>2 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>3 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>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Preparation of Grants and Returns					
<p>Compliance with preparation process</p> <p>Through our certification work over the Housing & Council Tax Benefits Scheme we identified that the benefits team omitted the processing of a required reconciliation report when preparing the claim form.</p> <p>The omission of the return from the preparation process resulted in fifteen adjustments to the claim form for 2012/13.</p>	<p>Due to the nature of the error identified, it was possible to process the adjustments required and thereby avoid qualification of the claim. This required additional work by both the Authority and ourselves, however.</p>	<p>Ensure that the required processes for preparing grants and returns are clearly understood and complied with.</p> <p>In order to gain such an understanding, ensure that relevant officers are provided with, and required to fully review, copies of guidance issued by both the awarding body and software developers.</p>	<p>2</p>	<p>We have reviewed the process which produces the suite of reports via Northgate. The suite is extensive and we have now put in place processes to ensure that all reports are produced and analysed in preparation for this return. Guidance notes have been updated to include the full list of required reports.</p>	<p>Responsible Officer: Ian P Brown</p> <p>Target Date: Completed</p>



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