



PUBLIC SECTOR

# Certification of grants and returns 2008/09

Wiltshire Council

February 2010

AUDIT

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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 Chris Wilson, who is the engagement leader to the Authority (telephone 0118 964 2269, 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 Investigation Officer, 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.



# Headlines

<p><b>Introduction &amp; background</b></p>	<p><b>This report summarises the results of our work on the certification of the County Council’s and District Councils’ 2008/09 grant claims and returns</b></p> <ul style="list-style-type: none"> <li>● For 2008/09 we certified:                             <ul style="list-style-type: none"> <li>– nine grants with a total value of £124,727,632 (two grants remain outstanding).</li> <li>– seven returns with a total value of £152,868,349.</li> </ul> </li> </ul>	<p>-</p>
<p><b>Certification results</b></p>	<p><b>We issued unqualified certificates for all of the grants and returns</b></p>	<p><b>Pages 3 – 4</b></p>
<p><b>Audit adjustments</b></p>	<p><b>A number of adjustments were necessary to the Councils’ grants and returns as a result of our certification work this year. Three were significant and seven required minor amendments.</b></p> <ul style="list-style-type: none"> <li>● The majority of the significant adjustments related to our audit work for the Housing Benefit grant at the district councils. The adjustments arose as part of our detailed sample testing on the various cells within the grant. Full details of these adjustments have been communicated to management.</li> </ul>	<p><b>Pages 3 – 4</b></p>
<p><b>The Council’s arrangements</b></p>	<p><b>The Council has generally adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas</b></p> <ul style="list-style-type: none"> <li>● Each year we request a list of the grants claims and returns which the Council believes need to be audited. For 2008/09, the Council submitted an additional grant claim that we had not been notified of after the deadline for its preparation. The Council should therefore ensure that it considers thoroughly which grants and returns require certification and notify us on a timely basis, so we can plan our certification work to meet the grant paying departments’ deadlines.</li> <li>● For the grants we audited this year (excluding the Housing Benefit Grants) the departments responsible were not ready for our visit and were not always available to help us with our queries. KPMG issued a letter to the Council in July 2009 which provided details of the dates that the audit team were to be on site to audit the different grants. Despite this, the Council staff who were dealing with the grants were not always aware or ready for our visit. As a result of this lack of preparedness, the disabled facilities grants for two of the former district councils have still not been completed</li> </ul>	<p><b>Page 5</b></p>
<p><b>Fees</b></p>	<p><b>Our overall fee for the certification of grants and returns for the County and District Councils to date is £106,161</b></p> <ul style="list-style-type: none"> <li>● The actual fee charged to date by KPMG amounts to £98,078 which is significantly higher than the previous year (2008: £17,046). This is due to a number of District Council grants that we have audited in the year on behalf of the Audit Commission.</li> <li>● In addition, the Audit Commission charged £8,083 for its certification work at the district councils.</li> </ul>	<p><b>Page 6</b></p>

# Summary of certification work outcomes

Overall, KPMG and the Audit Commission certified 16 grants and returns:

- six were unqualified with no amendment
- ten were unqualified but required some amendment to the final figures
- two grants remain outstanding due to delays in providing information required for their certification

Detailed comments are provided overleaf

Those marked with a \* were certified by the Audit Commission, with KPMG responsible for the remainder

Detailed below is a summary of the key outcomes from both KPMG's and the Audit Commission's certification work on the County Council's and District Councils' 2008/09 grants and returns. The table shows 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
<b>Wiltshire County Council grants</b>				
	Teachers Pension Return			●
	Sure Start Grant			●
1	Local Transport Grant		●	●
<b>Disabled Facility Grants</b>				
2	Kennet District Council		●	●
	Salisbury District Council			●
3	North & West Wiltshire Councils outstanding			
4 5 6 7	Housing Benefit Grants (x4)		x3	x4
<b>NNDR returns *</b>				
	Kennet, Salisbury & West Wiltshire District Councils			x3
8	North Wiltshire District Council		●	●
<b>Housing subsidy Grants</b>				
9	Salisbury: Base data		●	●
9	Salisbury: Final data		●	●
10	Pooled Housing Capital Receipts return (Salisbury) *		●	●
<b>Total</b>	<b>0</b>	<b>3</b>	<b>7</b>	<b>16</b>

## Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments that were identified on the previous page	Ref	Summary observations	Net amendment
	①	<p><b>Local Transport Grant</b></p> <ul style="list-style-type: none"> <li>The grant was amended to exclude a small amount of expenditure that was identified through our testing as ineligible under the scheme rules.</li> <li>There was also a larger adjustment to correctly disclose the amount of grant received on account, and therefore the balance still due to the Council. This had no impact on the total grant due to the Council.</li> </ul>	- £151
	②	<p><b>Disabled Facility– Kennet District Council</b></p> <ul style="list-style-type: none"> <li>The grant form provided to us included 60% of the grant spend which is in line with the 2007/08 requirements. In 2008/09 the rules under this particular grant changed whereby the Council is allowed to claim 100% of their expenditure. As a result the grant form was therefore amended by management to reflect this change.</li> </ul>	+ £17,610
	③	<p><b>Disabled Facility– North Wiltshire and West Wilts District Councils</b></p> <ul style="list-style-type: none"> <li>These two grants have not yet been certified by KPMG. The Council missed its submission deadline of 30 June 2009 and submitted the grants late, on 19 October 2009.</li> <li>We have been into the Council in October and November 2009 to complete the necessary testing for these grants, but the staff available did not have the background information required and there was insufficient documentation to support the figures in the grant. Some of these problems have arisen due to staff who were responsible for these grants originally no longer being employed by the Council, with incomplete hand-over processes to facilitate the preparation of the grant claims.</li> <li>We have agreed with the Chief Finance Officer that we will come back to audit these grants in the new year when the Council can provide the correct data and support.</li> </ul>	-
	④	<p><b>Housing Benefit – Kennet District Council</b></p> <ul style="list-style-type: none"> <li>A significant number of amendments were made to the claim in relation to rent allowances and council tax. These amendments were based on errors identified through our sample testing on the 2008/09 figures.</li> </ul>	- £43,022
	⑤	<p><b>Housing Benefit – North Wiltshire District Council</b></p> <ul style="list-style-type: none"> <li>A number of amendments were made to the claim in relation to council tax, rent allowances and non-HRA rent rebates. The amendments arose due to our sample testing performed on the 2008/09 numbers, i.e. they were not due to repeat issues from the previous year.</li> </ul>	- £4,965

## Summary of certification work outcomes (continued)

This table summarises the key issues behind each of the adjustments that were identified on page 3

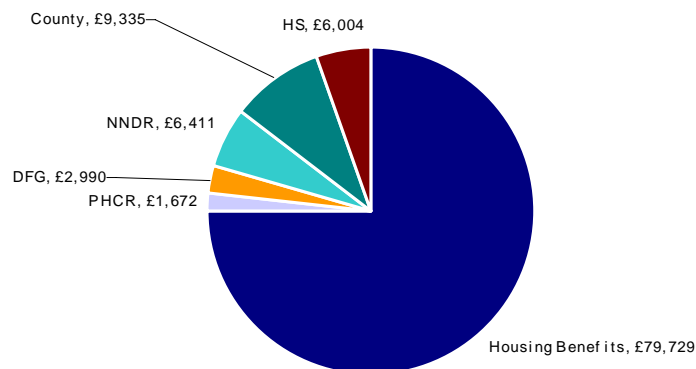
Ref	Summary observations	Net amendment
6	<b>Housing Benefit – Salisbury District Council</b> <ul style="list-style-type: none"> <li>A number of amendments were made to the claim in relation to non-HRA rent rebates and rent allowances. The amendments arose due to errors identified during our testing performed on the 2008/09 numbers.</li> </ul>	- £927
7	<b>Housing Benefit – West Wiltshire District Council</b> <ul style="list-style-type: none"> <li>There were a number of amendments that were made to the grant claim based on our sample testing performed for 2008/09 which related to changes within the council tax cells.</li> <li>Other areas where amendments were made were that the claim itself did not tie back to the subsidy report from the benefit system for rent rebates, council tax and rent allowances, and as such a number of cells were re-stated to be in line with the supporting documentation.</li> <li>In addition, uncashed cheques were incorrect as a result of the IT system matching process as prior year cheques were not netted against the corresponding expenditure.</li> <li>Both these issues have been raised with the Council to ensure they are addressed for next year. The net amendment was negligible, due to compensating changes.</li> </ul>	- £3
8	<b>National Non-Domestic Rates return – North Wiltshire District Council</b> <ul style="list-style-type: none"> <li>A number of errors were identified on the claim and the adjustment reflects the net effect of all adjustments. The main item (£68,030) related to the overstatement of the bad debts provision. This had been calculated on 'provisional' arrears figures, which were higher than the final ledger balances.</li> </ul>	+ £69,468
9	<b>Housing Subsidy – Salisbury District Council</b> <ul style="list-style-type: none"> <li>A minor amendment was made on both the base data return and final subsidy claim which related to the number of dwellings at the 2008/2009 year end. This had no direct impact on subsidy claimed, although the revised figures will be used to determine the Council's future subsidy entitlement.</li> </ul>	-
10	<b>Pooled Housing Capital Receipts return – Salisbury District Council</b> <ul style="list-style-type: none"> <li>The Council had omitted £119,696 off the return in respect of mortgage principal repayments, resulting in an additional £91,007 being due to the Department for Communities &amp; Local Government.</li> </ul>	+ £91,007

## Fees

**Our overall fee for the certification of grants and returns has slightly exceeded the original estimate due to the issues summarised in the report**

**There are also still two grants to certify**

**Breakdown of certification fees 2008/09**



Breakdown of fee by grant / return	Fee (£)
Teachers Pension Return (County)	<b>4,655</b>
Sure Start Grant (County)	<b>3,050</b>
Local Transport Grant (County)	<b>1,650</b>
District Councils: Disabled Facilities grants (DFG)	<b>2,990</b>
District Councils: Housing Benefits grants (x4)	<b>79,729</b>
District Councils: National Non-Domestic Rates returns (NNDR)	<b>6,411</b>
Salisbury DC: Housing subsidy Base Data & Final grant (HS)	<b>6,004</b>
Salisbury DC: Pooled Housing Capital Receipts (PHCR)	<b>1,672</b>
<b>Total fee</b>	<b>£106,161</b>

KPMG’s initial estimated fees for certifying 2008/09 grants and returns was £95,000. Our actual fee (£98,078) is slightly higher and we still have two Disabled Facilities grants that we are waiting to audit. The fees are above our estimate because of delays on a number of the grants and returns and because on many we identified issues or amendments that required additional work to resolve. The Audit Commission’s fees are broadly in line with their original estimate.

We have identified two recommendations for the Council to consider aimed at improving its grant arrangements to help minimise certification fees in the future:

- Each year, the Council should consider thoroughly which grants and returns require certification and notify us on a timely basis, so we can plan our certification work to meet the grant paying departments’ deadlines.
- A central grants co-ordinator role should be established. This role could ensure all grants and returns requiring certification are identified and support the preparation and certification processes. The grants co-ordinator would be KPMG’s main source of contact to ensure that staff at the Council are aware of, and prepared for, our audit visits.

# Recommendations

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 & target date
<b>Disabled Facility grant</b>					
<p><b>Identification of grants &amp; returns</b></p> <p>Not all grants and returns requiring certification were identified by the Council. In one case, a grant claim was submitted to KPMG just days before our certification deadline.</p>	<p>Late awareness and submission of claims and returns causes hampers our ability to plan certification work. This in turn may result in certification deadlines being missed, which could mean grant paying bodies withhold payment on account for the particular scheme.</p>	<p>The Council should ensure that it considers thoroughly which grants and returns require certification and notify us on a timely basis, so we can plan our certification work to meet the grant paying departments' deadlines.</p>	<b>2</b>	<p>Agreed.</p> <p>A central grants co-ordinator has been designated to ensure KPMG are aware of all grants needing certification and to co-ordinate the process.</p>	<p>Matthew Tiller 31 March 2010</p>
<p><b>Grants co-ordination</b></p> <p>In a number of cases our certification work was affected by Council staff either not being aware of scheduled visits by KPMG, or not being prepared for this.</p>	<p>If Council staff are not prepared for our review, it may take longer than necessary and result in additional fees being charged to the Council. This can often be addressed by the introduction of a central grants co-ordinator, to support other staff and ensure they are prepared.</p>	<p>Establish a central grants co-ordinator role to ensure all grants and returns requiring certification are identified, and to support the preparation and certification processes.</p>	<b>2</b>	<p>Agreed.</p> <p>The central grants co-ordinator will ensure appropriate preparation of the certification process.</p>	<p>Matthew Tiller 31 March 2010</p>