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# Certification of grants and returns 2011/12

London Borough of Brent

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in connection with this  
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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 Andrea White who is the engagement leader to LBB (telephone 020 7311 2238, e-mail andrea.white@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, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: 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 2011/12 grant claims and returns. This certification work, with the exception of the housing and council tax benefit scheme claim ('the housing benefits claim') was performed by the Audit Commission as appointed auditor for 2011/12 and completed by 31 October 2012. The work on the housing benefits claim was split between the initial testing phase, which was performed by the Audit Commission before 31 October 2012, and the completion and reporting phase, which was performed by KPMG in November 2012.</b></p> <ul style="list-style-type: none"> <li>■ Five returns relating to 2011/12 with a total value of £490 million have been certified .</li> </ul>	-
Certification results	<p><b>The Audit Commission issued unqualified certificates for four grants and returns.</b></p> <p><b>KPMG issued a qualification letter in respect of the housing benefits claim.</b></p> <ul style="list-style-type: none"> <li>■ A qualification letter was agreed with the Council, extrapolating and reporting on the errors found on the housing benefits claim . No amendments were made to the claim for the errors identified.</li> <li>■ We identified fewer errors and qualified one certificate; an improvement on the previous year.</li> </ul>	Pages 3-4
Adjustments	<p><b>No adjustments were necessary to any grants and returns as a result of certification work this year.</b></p> <ul style="list-style-type: none"> <li>■ This reflects improvements in the accuracy and completeness of information provided for audit in 2011/12.</li> </ul>	Pages 3-4
The Council's arrangements	<p><b>The Council has good arrangements for preparing its grants and returns and supporting our certification work .</b></p> <ul style="list-style-type: none"> <li>■ Overall, the Council has good arrangements for preparing grants and returns and no significant system weaknesses or issues of non-compliance with grant scheme requirements were identified that need to be addressed. Recommendations are included in this report to address some of the more detailed findings derived from our work.</li> </ul>	Page 4
Fees	<p><b>The overall fee for the certification of grants and returns reflects a reduction on 2010/11 and is contained within the original estimate.</b></p>	Page 5

# Certification of grants and returns 2011/12

## Summary of certification work outcomes






Overall, five grants and returns were certified:

- 4 were unqualified with no amendment; and
- 1 required a qualification to the certificate, but was also not amended.

Further comments are provided overleaf.

Detailed below is a summary of the key outcomes from certification work on the Council's 2011/12 grants and returns, confirming that no amendments were required and one qualification made as a result of the work.

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 and council tax benefits scheme	1				
National non-domestic rates return	2				
Teachers' pensions return	3				
HRA subsidy	4				
Pooling of housing capital receipts	5				
		1	0	0	4

# Certification of grants and returns 2011/12

## Summary of certification work outcomes

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

Ref	Summary observations	Amendment (£'000)
1	<b>Housing and council tax benefits scheme</b> <ul style="list-style-type: none"> <li>Claim preparation arrangements are strong in comparison with many London boroughs, most of which manage smaller caseloads.</li> <li>Given the high complexity of the scheme the number of errors identified and qualification issues reported is small, and no adjustments were required to the claim submitted for audit;</li> <li>Initial caseload testing identified six errors, all due to human error; three in HRA rent rebate cases, two in non-HRA rent rebate cases and one rent allowance case. The nature of the errors was as follows: <ul style="list-style-type: none"> <li>rent rebates - processing claimants' weekly income or rent incorrectly; and</li> <li>rent allowances - misclassifying a housing association case as a regulated tenancy case.</li> </ul> </li> <li>As mandated by the grant funding department (Department for Work and Pensions or DWP) additional testing was carried out to assess the potential impact of the income and rent errors across the relevant caseload. Based on our extrapolation we reported that the Council may have overpaid benefit in error by £255k, but as Brent are well within the subsidy threshold for local authority error overpayments, it is unlikely that these errors would result in a loss of subsidy to the Council;</li> <li>Using the same principles of extrapolation the misclassification between regulated tenancies and housing association tenancies is estimated as £205k, however, both categories attract subsidy at the same rate and hence there is no change to the Council's overall entitlement;</li> <li>For approximately 80 properties the Council applied the incorrect rent cap, and is accordingly losing an element of subsidy that it is entitled to claim. While the effect has not been formally quantified, officers have stated that the maximum additional entitlement would not exceed £50,000;</li> <li>A qualification letter to the DWP was agreed with the Council, reporting on the errors found and demonstrating the potential impact if the error was extrapolated across the relevant population. No amendments were made to the claim for the errors identified.</li> </ul>	£0
2	<b>National Non-domestic Rates Return</b> <ul style="list-style-type: none"> <li>The claim was fairly presented.</li> </ul>	£0

## Summary of certification work outcomes (cont.)

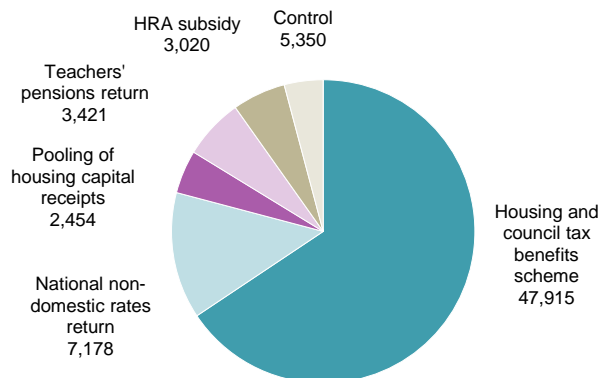
This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment (£'000)
3	<b>Teachers' pension return</b> <ul style="list-style-type: none"> <li>The claim was fairly presented.</li> </ul>	£0
4	<b>HRA subsidy</b> <ul style="list-style-type: none"> <li>The claim was fairly presented.</li> </ul>	£0
5	<b>Pooling of housing capital receipts</b> <ul style="list-style-type: none"> <li>The claim was fairly presented.</li> </ul>	£0



Our overall fee for the certification of grants and returns was lower than the original estimate.

### Breakdown of certification fees 2011/12



### Breakdown of fee by grant/return

	2011/12 (£)	2010/11 (£)
Housing and council tax benefits scheme	47,915	47,828
National non-domestic rates return	7,178	8,638
Pooling of housing capital receipts	2,454	2,723
Teachers' pensions return	3,421	9,940
HRA subsidy	3,020	2,327
Control	5,350	6,595
<b>Total fee</b>	<b>69,338</b>	<b>92,701</b>

The fee for completing your grant certification work for 2011/12 is under £70k for the first time, representing a reduction on the original estimate of £85k and a further reduction on last year's cost of £92k. The main reasons for the fee being lower than the original estimate were:

- Fewer claims required certification in 2011/12;
- Generally better prepared claims fewer exceptions identified and effective responses to audit queries;

Although claims preparation arrangements have generally improved, we recommend the Council takes the following steps to improve its support for certification work. As the Audit Commission has mandated that councils must pay a scale fee for all grant certification work in 2012/13, implementation of suggested improvements will reduce the risk of additional audit fees arising in future:

- Ensure that claims assessors receive training to address the specific weaknesses identified during this year's housing benefits audit; and
- Review the application of rent caps to ensure the correct one is applied and thus eliminate the risk of under-claiming subsidy.

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 certification work. The Audit Commission made 7 recommendations in its 2010/11 certification of grants and returns report. Good progress was noted in all areas recommended in 2010/11, although recommendations 1 and 2 remain relevant as they are designed to improve the quality and accuracy of the work of housing benefits assessors.

### Priority rating for recommendations

<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.	<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.	<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.
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Housing and council tax benefit scheme</b>					
<b>Input errors</b>  Incorrect rent and income details were input causing a small number of claims to be incorrectly assessed.	The Council risks incurring losses if benefits disbursed in error can not be recharged to the DWP.	<b>1</b>  Ensure that weaknesses identified in this year's audit are addressed when training benefits assessors.	<b>3</b>	All officers are to receive a briefing note on the findings of the 2011/12 Subsidy Audit and the errors identified. This issue related mainly to the accuracy of inputting data and not to lack of knowledge of policies and legislation but officers will be reminded of the importance of accurate input in general and in the fields identified in particular. The briefing will be followed up by a reminder at all team meetings and the Quality Assurance & Support officers will adopt a targeted approach to a sample selection of checks during the following months looking specifically at the areas identified.	Assistant Director, Customer Services
<b>Rent caps</b>  The Council is not applying the correct rent cap (inner or outer London) to a limited number of properties on its claims database.	The Council risks being unable to reclaim the correct subsidy in respect of these properties.	<b>2</b>  Review the application of rent caps to ensure the correct one is applied and thus eliminate the risk of under-claiming subsidy.	<b>2</b>	All cases where this issue could apply will be checked by the Subsidy officers before the end of the year to ensure the correct classification for subsidy purposes. The issue has arisen because of the default value of a particular parameter on the back office benefits system. This parameter is correct for 95% of all authorities for cases in this particular subsidy category, but has to be amended in the majority of cases in Brent. The Audit identified one case where this had not been done.	Assistant Director, Customer Services





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