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Certification of grants and returns 2012/13

London Borough of Brent

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in connection with this
report are:**

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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 Phil Johnstone, who is the engagement leader to the Authority (telephone 020 7311 2091, e-mail philip.johnstone@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>This report summarises the results of the work on the certification of the Council's 2012/13 grant claims and returns. For the first time, this certification work was fully undertaken by KPMG as appointed auditor. In 2011/12, KPMG had reported on work largely carried out by the Audit Commission.</p> <ul style="list-style-type: none"> ■ For 2012/13, four claims and returns with a total value of £503 million were certified. 	-
Certification results	<p>We issued unqualified certificates for two grant claims and returns, and issued qualifications in respect of the housing and council tax benefits claim and the national non-domestic rates return.</p> <ul style="list-style-type: none"> ■ The housing and council tax benefits claim was qualified due to benefit either being incorrectly awarded or incorrectly classified on the claim. The 2011/12 claim was also qualified and the level of errors found this year was consistent with the previous year. ■ The national non-domestic rates (NNDR) return was qualified as information in respect of the new deferral scheme could not be located in time to meet the certification deadline. We note that the information was subsequently found, and the qualification issue cleared between the Council and the grant-paying body (Department for Communities and Local Government). The claim had not been qualified in 2011/12. 	Pages 3-5
Adjustments	<p>Amendments were necessary to three grant claims and returns audited this year compared to none in 2011/12.</p> <ul style="list-style-type: none"> ■ The housing and council tax benefits claim, the national non-domestic rates return and the teachers' pensions return all required minor amendments this year although the amendment on the teachers' pensions return did not impact on the value reported. The largest adjustment was to increase the housing and council tax benefit claim by £11,665. 	Pages 3-5
The Council's arrangements	<p>The Council has good arrangements for preparing its grant claims and returns and supporting our certification work. However, improvement is required in relation to responding promptly to queries on the housing and council tax benefits claim.</p> <ul style="list-style-type: none"> ■ The auditor deadline for submission of the housing benefits claim to the grant-paying body (Department for Work and Pensions) was missed by four days due to delays in the Council's responses to queries. The Council discussed this with the DWP who accepted a slight delay in the submission. ■ No other significant weaknesses were identified in the Council's arrangements for preparing its grant claims and returns. 	Pages 3-5
Fees	<p>The overall fee for the certification of grants and returns reflects a significant reduction on 2011/12. However, there is an additional charge from the original scale fee to reflect additional work required to resolve queries on the housing and council tax benefits claim and the production of a qualification letter for the national non-domestic rates return.</p>	Page 6

Certification of grants and returns 2012/13

Summary of certification work outcomes








Overall, we certified 4 grants and returns:

- 1 was unqualified without amendment;
- 1 was unqualified, but required amendment;
- 2 required a qualification to our audit certificate (these were also amended).


Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council'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 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 benefit	1				
National non-domestic rates return	2				
Teachers' pensions return	3				
Pooling of housing capital receipts	4				
		2	0	3	2

Detailed below is a summary of the certification work on the Council's 2011/12 grants and returns.

	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing and council tax benefit				
National non-domestic rates return				
Teachers' pensions return				
HRA subsidy				
Pooling of housing capital receipts				
	1	0	0	4

Certification of grants and returns 2012/13

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 (£)
1	<p>Housing and council tax benefits scheme</p> <p>The Council processed over 30,000 claims during the year, many of which were reassessed several times during the year. We completed an initial sample of 80 cases from this population and identified the following errors:</p> <ul style="list-style-type: none"> 1 case where self-employed earnings were incorrectly recorded; 1 case where expenditure was misclassified due to an incorrect tenancy type being used; 1 case where expenditure was misclassified for a property outside the borough, where an incorrect rent cap had been used; 1 case where the claimant did not provide evidence for the student status of one of the non-dependents living at the property; as such an incorrect non-dependent deduction was made to the claim; and 1 case where the claimant was in receipt of Employment Support Allowance, but this was applied at the incorrect time. The case should also have been backdated following a change in family circumstances. <p>In line with instructions given to auditors, we extrapolate any errors found and report them in a qualification letter. The extrapolated errors reported could lead to a loss of up to £60,000 on the total claim of £382 million.</p> <p>The Council carried out work to quantify the total errors relating to the misclassifications reported above as they could isolate the errors and calculate the total impact on the claim. The value of the claim was increased by £0.012m. Given the high complexity of the scheme the number of errors identified and qualification issues reported are relatively small.</p> <p>Despite the relatively low number of errors and qualification issues reported, the Council needs to significantly improve its arrangements for responding to audit queries. We issued an engagement letter on grant claims and returns, which contained a list of evidence required for the audit which was not fully received in advance. In addition, many audit queries raised during the certification process were unanswered for several weeks. Despite this being raised with senior officers, ultimately the audit deadline was not achieved due to the delays in providing responses.</p> <p>The certified claim was submitted to the DWP four days after the deadline. Although the Council discussed this with the DWP who accepted a slight delay in the submission, missing such certification deadlines represents a financial risk for the Council as Government Departments can suspend payments. Improved arrangements should be put in place for 2013/14 to ensure that the Council does not risk missing deadlines and potentially losing grant funding in future.</p>	£11,665

Certification of grants and returns 2012/13

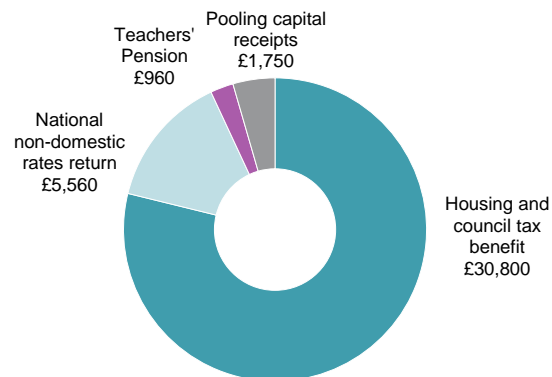
Summary of certification work outcomes

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

Ref	Summary observations	Amendment (£)
2	National Non-domestic Rates (NNDR) Return <ul style="list-style-type: none"> We selected a sample of properties for the new claim entry (deferral scheme arrangements), and requested evidence to demonstrate that the businesses selected had applied for the scheme. The Council could not locate the information in time to meet the certification deadline and thus we issued a qualification letter. We note that the information was subsequently found, and the qualification issue cleared between the Council and the grant-paying body (Department for Communities and Local Government) in the month following the qualification letter. The Council made a minor transposition error in one of the claim entries, which had to be amended. 	£18
3	Teachers' pension return <ul style="list-style-type: none"> The claim was fairly presented. However, the Council did not complete the correct grant claim form as prescribed by the grant paying body (Teachers' Pensions) and the Audit Commission. 	£nil
4	Pooling of housing capital receipts <ul style="list-style-type: none"> The claim required additional information this year. The Council completed the claim and it was fairly stated. 	£nil

Our overall fee for the certification of grants and returns is in line with our initial estimate.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return

(£)	Actual 2012/13	Initial estimate 2012/13	Actual 2011/12
Housing and council tax benefit	33,566	30,800	47,915
National non-domestic rates return	5,860	5,560	7,178
Teachers' pensions return	960	960	3,421
Pooling of housing capital receipts	1,750	1,750	2,454
HRA subsidy	0	0	3,020
Single programme (LDA)	0	430	0
Control and reporting	0	0	5,350
Total fee	42,136	39,500	69,338

The initial estimated fee for certifying 2012/13 grants and returns was £39,500. The main reasons for the movements on the fee from the previous year were:

- An overall reduction of 40% due to the Audit Commission reducing scale fees; and
- One fewer grant claim required auditing (HRA subsidy).

The main reasons for variations from the initial scale fee set by the Audit Commission were:

- Single programme grant did not requiring auditing;
- Delays experienced in resolving queries on the housing and council tax benefits claim, which resulted in the auditor certification deadline not being met, as well as an additional 40+ sample undertaken; and
- Additional time incurred in the production of a qualification letter for the national non-domestic rates return.

We recommend the Council takes the following steps to improve its support for our certification work, which should help minimise certification fees in the future:

- ensure that there is sufficient capacity in the benefits department to provide timely responses to audit queries;
- continue to review controls over the accuracy of information used to calculate housing benefits;
- ensure that data to support the national non-domestic rates return is accessible in a timely way; and
- ensure that the Council identifies and acts on changes in guidance for claim preparation;

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. We note that recommendation 2 was raised in the 2011/12 report.

Priority rating for recommendations

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.	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.	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.
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Housing and council tax benefit scheme					
Benefits department capacity Auditor certification deadline was missed due to delays in obtaining audit query responses.	There is a potential financial risk to the Council if deadlines are missed, as the grant paying body could elect to withhold funding.	1 Ensure that there is sufficient capacity in the benefits department to respond to audit queries in a timely way.	2	Agreed We shall arrange an early meeting with the auditors this year so that we can match our resources to the periods of audit activity and shall also be requesting an early start to the work to try and avoid large workloads immediately prior to the audit deadline.	Benefits Policy and Subsidy Manager 30 April 2014
Input errors There were errors in inputting rent and income details which caused a small number of claims to be incorrectly assessed.	The Council risks paying claimants the incorrect amount and incurring losses if benefits disbursed in error can not be recharged to the DWP.	2 Ensure that errors identified in this year's audit are addressed as part of training benefit assessors.	3	Agreed This has already been done and we are also implementing procedures to minimise the likelihood of similar errors in the future.	Benefits Policy and Subsidy Manager 31 March 2014

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Housing and council tax benefit scheme					
Rent caps For a limited number of properties, the Council applied the incorrect rent cap depending on the location of the property.	The Council risks being unable to re-claim the correct subsidy in respect of these properties.	3 Review the application of rent caps to ensure the correct one is applied and thus eliminate the risk of claiming the incorrect amount of subsidy.	2	Agreed All cases in the particular category where this error was identified have been looked at and any rent capping errors found in these cases have been corrected.	Benefits Policy and Subsidy Manager 31 March 2014
National non-domestic rates return					
Retaining evidence Evidence to support deferral scheme applications was not available for audit, resulting in qualification.	Claim or return will be subject to qualification, which may incur additional fees and / or additional scrutiny from the grant-paying body.	4 Ensure that evidence to support all claim entries is available upon request.	3	The relevant documents were produced and submitted to the government department after the audit. The filing of documents changed during 2012/13 with documents being stored electronically (rather than paper). Part of this changeover required old documents to be scanned into the new system and there was a delay in the retrieval of these documents. All staff have subsequently had further training on this matter so this will not re-occur.	N/A as completed.



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