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Our ref

18 December 2014

Dear Conrad

Certification of claims and returns - annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client under the Audit Committee regime. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims and returns:

Claim/return	Certified value (£)
BEN01 – Housing Benefit Subsidy claim	349,690,275
CFB06 – Pooling of Housing Capital Receipts return	10,076,656
Total	359,766,931

Matters arising

Our certification work did not identify any issues or errors with the Pooling of Housing Capital Receipts return on which we issued an unqualified certificate with no amendments made to the return.

For the Housing Benefit Subsidy claim, the Authority identified 83 cases referred to them by Brent Mental Health Service totalling £1,177,334 that had been mis classified within the claim. The Authority corrected this which resulted in an increase of subsidy due to the Authority of £332,439.

We identified during the initial audit work on 60 cases, five errors either relating to classification on the claim or the amount paid to the claimant. These included:

- Incorrect non-dependent deductions made;
- An extended payment incorrectly awarded; and
- Errors in the calculation of self-employed income.

The Authority tested further cases for each error found and out of 80 cases tested for self-employed income, the amounts included in the calculation for individual housing benefit claims could either not be fully supported or was incorrectly calculated in 33 cases. This resulted in four overpayments, nine errors which did not change the value of the individual claims and 20 which would have resulted in underpayments based on the information on file.

As a result of our testing we qualified the Housing Benefit Subsidy claim. The total extrapolated error, based on the errors found, we reported in our qualification letter was approximately £100,000.

In our 2012/13 Certification Annual Report we raised three recommendations relating to the housing benefit grant claim. Of these, we are satisfied that the Council has addressed two of the recommendations. However, the third recommendation on removing errors in rent and income figures used has not been addressed as there has been a significant increase in the number of cases which could either not be evidenced or disagreed to the evidence available this year. The main area we identified where evidence to support individual claims either disagreed or was not available was self-employed income, including eligible deductions.

In addition in 2012/13 Certification Annual Report there was one recommendation relating to the National Non Domestic Grant Return that is no longer certified. This recommendation related to maintaining audit evidence. We have not followed up the Council's progress in implementing this recommendation as we are no longer required to certify the return. Full details of our 2012/13 recommendations are included in Appendix 2.

Certification work fees

The Audit Commission set an indicative fee for our certification work of £29,998 for the work required for 2013/14. Our actual fee was the same as the indicative fee, and this compares to the 2012/13 fee for these claims of £35,316. The key reason for the decrease in the Housing benefit subsidy claim fee was that Council Tax Benefit ceased on 31 March 2013 and thus was not included on the claim, reducing the amount of audit required.

The details are set out in the table below.



Claim	2013/14 Indicative fee (£)	2013/14 Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	27,753	27,753	33,566
CFB06 – Pooling of Housing Capital Receipts	2,245	2,245	1,750
Total	29,998	29,998	35,316

In 2012/13, we also certified the National Non Domestic Rates return and the Teachers' Pension return under the Audit Commission's regime.

Yours sincerely

Philip Johnstone
Director

Appendix 1 – 2013/14 Certification of Claims and Returns Action Plan

Priority rating for recommendations		
<p>One: 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>Two: 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>Three: 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>

Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
1	Specific testing on 80 cases for self employed income found either errors or evidence not available to support the figures used on individual claims in 33 of the 80 cases.	Review in detail the reasons for errors in this specific area and put in place arrangements to ensure all figures used in the calculation of self employed income are accurate and fully supported.	One	<p>A process is being put in place to ensure that all self employed cases are documented properly (including standard templates that must be used for recording expenses) and there will be a full check on compliance starting in January 2015. This will also assist in improving accuracy of self employed assessments.</p> <p>Subsidy and Policy Manager</p> <p>January 2015</p>

Appendix 2 – Follow up of 2012/13 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at November 2014	Management comments
Housing Benefit				
1	Ensure that there is sufficient capacity in the benefits department to respond to audit queries in a timely way	Two	There was an overall improvement in response times this year although, for some audit queries, the time taken to respond was longer than we experience at other authorities.	We accept this recommendation and shall ensure that extra resources are made available in anticipation of the extra work during the audit period. Subsidy and Policy Manager October 2015
2	Ensure that errors identified in this year's audit are addressed as part of training benefit assessors.	Three	There was a significant increase in the number of errors or lack of evidence to support figures used in 2013/14, mainly relating to self employed income. See Appendix 1.	See above. Other areas where errors were identified will also be highlighted for extra checking and training if necessary. Subsidy and Policy Manager January 2015
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	Two	No errors relating to the rent cap were identified.	Not applicable
National Non Domestic Rates				
4	Ensure that evidence to support deferral schemes and all claim entries is available upon request.	Three	This claim is no longer required to be certified. We have not followed this recommendation up.	Not applicable

This report is addressed to the Authority and has been prepared for the sole use of the Authority. 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 Philip 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 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.