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Certification of grants and returns 2011/12

Gedling Borough Council

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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 John Cornett who is the engagement leader to the Authority (telephone 0116 256 6064 e-mail john.cornett@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.

Change of auditor appointment

The change in auditor appointment has not affected the completion of certification work.

The Audit Commission has outsourced all the work formerly undertaken by its internal Audit Practice. KPMG was appointed as your external auditor, for 2012/13 onwards, with effect from 1 September 2012. Under that appointment KPMG also became responsible for completing any aspect of pre-2012/13 audits, including delivery of this annual report on certification work.

We received a report from the Audit Commission's Audit Practice setting out the work they have completed on certifying claims and returns before 31 October 2012. We have incorporated their findings and any recommendations into this report.

In all cases the detailed certification work was completed by the Audit Commission's Audit Practice in accordance with certification instructions issued by the Audit Commission before 31 October 2012.

Headlines

Introduction and background	This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns. For 2011/12 we certified 1 claim (Housing and Council Tax Benefits Scheme) with a total value of £32,537k and 1 return (National Non Domestic Rates) with a total value of £20,230k.	-
Certification results	We issued unqualified certificates for the National Non Domestic Rates return but amendment and qualification was necessary for the Housing and Council Tax Benefit Scheme. Six errors were identified that required additional testing. The majority of these errors relate to how the system has offset overpayments against prior underpayments of benefit. These errors are not significant individually but require further investigation in line with the DWP approach. In accordance with the certification instructions a qualification was mandated as a result of identifying errors of this nature. These results are in line with those for 2010/11 where a qualification letter had also been issued in relation to the Housing and Council Tax Benefits claim.	Page 5
Audit adjustments	Adjustments were necessary to both the Housing and Council Tax Benefits claim and the National Non Domestic Rates Return as a result of our certification work this year. The Housing and Council Tax Benefits claim was subject to minor amendments due to errors identified through the audit of the assessment of benefit entitlement by the Authority. These results are in line with the results for 2010/11. The National Non Domestic Rates return was certified without amendment.	Page 4
The Council's arrangements	The Council has good arrangements for preparing its grants and returns and supporting our certification work . All grants were submitted on a timely basis and had been correctly identified as requiring certification in line with the certification Instruction Index issued by the Audit Commission. The records kept in relation to grants and returns were generally accurate and sufficient.	
Fees	Our overall fee for the certification of grants and returns is higher than the original estimate . The actual fee charged for the certification of grants and returns is higher than the original estimate. The Audit Commission requires detailed testing to be completed for every claim or return every three years to confirm the auditor's understanding of the control environment and that it is appropriate to place or continue to place reliance upon it. This cyclical approach was applied to all claims and returns this year.	Page 6

Certification of grants and returns 2011/12

Summary of certification work outcomes

Overall, we certified 1 grant claim and 1 return:

- **The grant claim is unqualified with no amendment; and**
- **The return required a qualification to our audit certificate.**

Detailed comments on the qualified claim are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2011/12 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 Benefits scheme	1				
National Non Domestic Rates Return				1	1
		1	0	1	1

Certification of grants and returns 2011/12

Summary of certification work outcomes

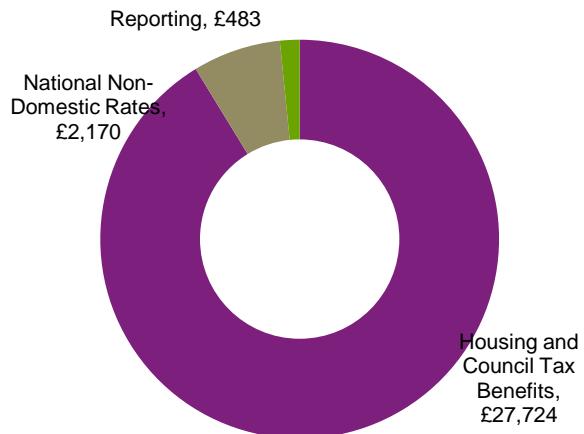
This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendme nt
1	<p>Housing and Council Tax Benefits scheme</p> <p>Amendments to the claim totalling £1k were made to the claim following the audit. This compares to £11k of amendments last year.</p> <p>Prior to starting the audit of the 2011/12 claim, the certification instructions required us to complete testing on the errors identified during our 2010/11 audit to confirm whether these errors were still present in the 2011/12 claim. The main issues identified in 2010/11 related to the offsetting of overpayments against prior underpayments. The system used to administer benefit payments did not do this accurately .</p> <p>Despite raising this issue with the software provider and implementing recommended actions, the provider indicated that similar errors have again been identified in the 2011/12 sample. This has been reported in the qualification letter to the DWP. The errors individually and in total are minor rounding differences so there is not a large impact on the claim.</p> <p>Our initial testing of the 2011/12 claim identified three errors which resulted in further testing being required:</p> <ul style="list-style-type: none"> • One case where benefit had been misclassified due to incorrect classification of a prior period overpayment; • One case where benefit had been misclassified as a result of an incorrect amount being offset against an overpayment; and • One case where benefit had been misclassified due to a missing overpayment. <p>In accordance with the certification instruction a qualification was mandated as a result of identifying errors of this nature.</p> <p>The other significant issue arising from the audit that was reported in the qualification letter relates to the following:</p> <ul style="list-style-type: none"> • In reconciling benefit granted to benefit paid, a small reconciling difference (£71) was identified. The Council performed the software supplier's reconciliation correctly but to compile the claim the Council made a small balancing adjustment of this amount. 	£1k

Fees

Our overall fee for the certification of grants and returns has exceeded original estimate.

Breakdown of certification fees 2011/12



Breakdown of fee by grant/return

	2011/12 (£)	2010/11 (£)
National Non-Domestic Rates	2,170	868
Reporting	483	(see below)
Housing and Council Tax Benefit Scheme	27,724	25,974
Total fee	30,377	26,842

Our initial estimated fees for certifying 2011/12 grants and returns was £22,500. The actual fee charged was higher than that estimate. The main reasons for the fee exceeding the original estimate were:

- The Audit Commission requires detailed testing to be completed for every claim or return every three years in order to confirm the auditor's understanding of the control environment and that it is appropriate to place or continue to place reliance upon it. This year we applied the cyclical approach to the National Non-Domestic Rates return for the first time;
- The increase in the Housing and Council Tax Benefits claim fee was caused by the fact that we had to complete initial additional testing on errors identified in the previous years audit of the claim as well as additional testing on the errors identified during our 2011/12 audit. We identified a greater number of both types of errors than we did in 2010/11. This additional testing was completed in accordance with the claim certification instructions; and
- In prior years the cost of reporting was apportioned across the other fees. We now report these fees separately.



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