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Certification of grants and returns 2011/12

North West Leicestershire District Council

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**The contacts at KPMG
in connection with this
report are:**

Andrew Cardoza

Director

Tel: + 44 121 232 3869
andrew.cardoza@kpmg.co.uk

Richard Walton

Manager

Tel: + 44 115 945 4471
richard.walton@kpmg.co.uk

David Schofield

Assistant Manager

Tel: + 44 116 256 6074
david.schofield@kpmg.co.uk

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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 Andrew Cardoza who is the engagement leader to the Authority (telephone 0121 232 3869 e-mail andrew.cardoza@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 has completed on certifying claims and returns before 31 October 2012. We have incorporated their findings and any recommendations into this report.

In all cases , expect for the work on the Housing and Council Tax Benefits grant claim, 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. The audit of the Housing and Council Tax Benefits grant claim required additional 40 plus testing, in accordance with the certification instructions, which was reviewed by KPMG after the 31 October, but before the 30 November submission deadline.

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns.</p> <p>For 2011/12 we certified 3 claims (Pooling of Housing Capital Receipts, HRA subsidy, and Housing and Council Tax Benefits Scheme) with a total value of £24,745k and 1 return (National Non Domestic Rates) with a total value of £44,719k.</p>	
Certification results	<p>We issued unqualified certificates for three grants and returns but qualification was necessary for the Housing and Council Tax Benefit Scheme return.</p> <p>Three errors were identified (compared with four in 2010/11) that required additional testing. In one case part of an overpayment had been classified incorrectly and in two other cases benefit had been overpaid . These related to an increase in an occupational pension being applied from the incorrect effective date and a change in earning had been applied from the incorrect effective date.</p> <p>In accordance with the certification instructions a qualification was mandated as a result of identifying errors of this nature.</p> <p>These results are in line with those for 2010/11 where a qualified certificate and qualification letter were issued in relation to the Housing and Council Tax Benefits claim.</p>	Pages 4-5
Audit adjustments	<p>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.</p> <p>The Housing and Council Tax Benefits claim was amended by £8,450 because of errors identified through the audit in the assessment of benefit entitlement by the Authority. These results are in line with the results for 2010/11.</p> <p>The National Non Domestic Rates return required and amendment of £69,000 , to agree the claim to the supporting system records. There was no adjustment in 2010/11.</p>	Pages 3 – 4
The Council's arrangements	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work .</p> <p>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.</p>	
Fees	<p>Our overall fee for the certification of grants and returns falls just outside of the original estimate .</p> <p>The actual fee charged for the certification of grants and returns is slightly 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.</p>	Page 6

Overall, we certified 4 grants and returns:

- 2 were unqualified with no amendment required; and
- 2 required a qualification to our audit certificate or an amendment to the claim.

Detailed comments 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
Pooling of housing capital receipts					
HRA Subsidy					
Housing and Council Tax Benefits scheme	1				
National Non Domestic Rates Return	2				
		1	1	1	3

Certification of grants and returns 2011/12

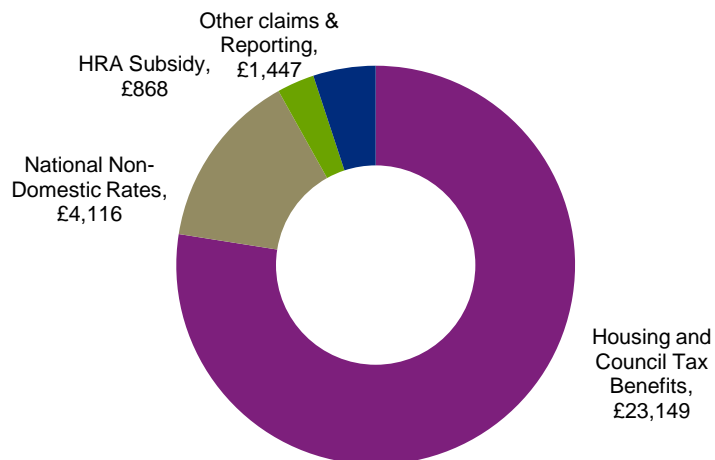
Summary of certification work outcomes

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

Ref	Summary observations	Amendment
<p style="text-align: center;">1</p>	<p>Housing and Council Tax Benefits scheme</p> <p>An amendment to the claim of £8,450 overall was identified and agreed.</p> <p>Prior to starting the 2011/12 claim the certification instructions required us to complete testing on 2 errors identified during our 2010/11 audit. In one case an incorrect amount of working tax credit was used in a calculation, resulting in an overpayment of benefit and in another case an incorrect band of non-dependent deduction was used in the calculation, resulting in an overpayment of benefit.</p> <p>We did not identify any further errors that would impact on the 2011/12 claim.</p> <p>Our initial testing of the 2011/12 claim identified 3 errors which resulted in further testing being required:</p> <ul style="list-style-type: none"> • For one case the effective date of a change in occupational pension had been applied from the incorrect effective date. Testing of a further 40 cases from the total relevant population, identified one further error; • For one case the effective date of a change in earnings had been applied from the incorrect effective date. Testing of a further 40 cases from the total relevant population, identified no further errors. • For one case part of an overpayment had been incorrectly classified as eligible. Testing of a further 40 cases from the total relevant population, identified two further errors where the overpayment had been classified as eligible. <p>In accordance with the certification instruction a qualification was mandated as a result of identifying errors of this nature.</p> <p>Other significant issues arising during the audit that were reported in the qualification letter were:</p> <ul style="list-style-type: none"> • In reconciling benefit granted to benefit paid, a small reconciling difference was identified. The Council performed the software supplier's reconciliation correctly but to compile the claim the Council made a small balancing adjustment. • Testing of modified schemes identified that the Authority has confirmed the amount of war pension, but not recorded the relevant components of the pension. This has an impact on subsidy in respect of pre 1973 war widows pension as the mobility supplement of the war disablement pension is disregarded under the provisions of the statutory scheme. The impact is the Authority is under claiming subsidy on these schemes. The Authority has agreed to undertake a full review of these cases. 	<p style="text-align: center;">-8,450</p>
<p style="text-align: center;">2</p>	<p>National Non Domestic rates return</p> <p>An amendment of £69,000 was made to this return. This was due to an error in claim compilation relating to the application of small business rate supplement. This amendment reduced the amount payable by the Authority.</p>	<p style="text-align: center;">- £69,000</p>

Due to reasons explained here our overall fee for the certification of grants and returns has not been contained within the original estimate.

Breakdown of certification fees 2011/12



Breakdown of fee by grant/return		
	2011/12 (£)	2010/11 (£)
National Non-Domestic Rates	4,116	1,407
Pooling of Housing Capital Receipts	434	515
Housing Subsidy	868	484
Housing and Council Tax Benefit Scheme	22,136	16,408
Housing Finance Base Data	-	2,219
Disabled Facilities	-	298
Reporting	1,013	
Total fee	28,567	21,330

Our initial estimated fees for certifying 2011/12 grants and returns was £21,000. 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, 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 and HRA subsidy claim for the first time. This testing requires more work and so the audit fee is higher to reflect the extra time spent.

This increase in fee is partly offset by the reduction in work due to the housing based returns no longer requiring certification.

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 the two errors identified in the previous years audit of the claim and additional testing on the errors identified during our 2011/12 audit. We also completed 100% testing of some areas of the claim in order to calculate an amendment. Of the £22,136 fee shown above £3,396 was charged by KPMG for work done post transfer. The cost of reporting shown above was also charged by KPMG. The Audit Commission previously charged this cost as part of other work done.

This additional testing was completed in accordance with the claim certification instructions



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