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Certification of grants and returns 2012/13

Kettering Borough Council

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Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2012/13 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2012/13 we certified three grants and returns with a total value of £62.6m 	-
Certification results	<p>We issued unqualified certificates for two grants and returns but qualification was necessary in one case.</p> <ul style="list-style-type: none"> ■ We issued a qualified certificate for the Housing and Council Tax Benefit (HCTB) claim due to due to errors in the treatment of non-dependent deductions and errors in the processing of claimants income. We also reported a minor reconciliation difference in respect of rent allowances. 	Pages 3 – 4
Audit adjustments	<p>Minor adjustments were necessary to one of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ Our testing of the Pooling claim identified some classification errors between expenditure cells in the return. The Council corrected the claim. There was no overall impact on the return submitted by the Council. 	Pages 3 – 4
Fees	<p>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Council of £19,300. Our actual fee for the certification of grants and returns was £19,985. The difference was due to additional work required to address the errors identified in the HCTB claim.</p> <ul style="list-style-type: none"> ■ Our fee is 52% less than our 2011/12 fee of £37,973; and ■ We are awaiting agreement from the Audit Commission for the £685 estimated increase in our fee. 	Page 5
The Council's arrangements	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas.</p> <ul style="list-style-type: none"> ■ The errors identified in the HCTB claim highlighted areas for improvement in system processes, including: <ul style="list-style-type: none"> ➢ Improving documentation in the claim notes to clearly show that changes in dependent status have been addressed and appropriate changes have been made; and ➢ Increased diligence and training to ensure that benefits staff are recording income accurately in the benefits system. 	Page 6

Overall, we certified three grants and returns:

- One was unqualified with no amendment;
- One was unqualified with a minor adjustment; and
- One required a qualification to our audit certificate.

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 & Council Tax Benefit	1				
Pooling of Housing Capital Receipts	2				
National Non Domestic Rates return					
		1	0	1	2

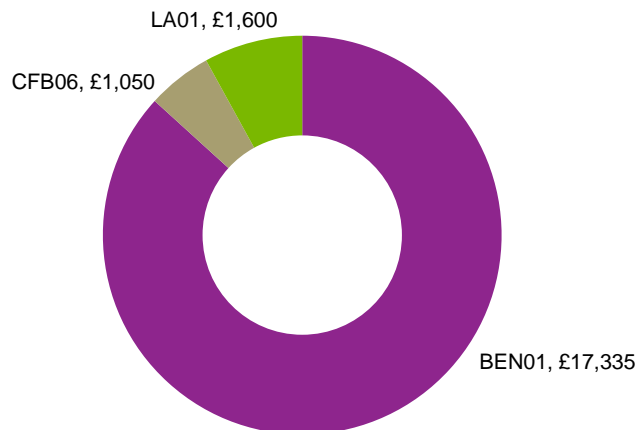
This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing and Council Tax Benefit Scheme</p> <ul style="list-style-type: none"> Our initial testing highlighted one case where benefit had been underpaid as a result of the Authority not updating a claimant's non-dependent deduction after the youth turned 18. As there is no eligibility to subsidy for benefit which has not been paid, the one underpayment identified does not affect subsidy and has not, therefore been classified as an error for subsidy purposes. <p>However, because errors in updating non-dependent status and deductions could result in overpayments an additional random sample of 40 cases was tested.</p> <p>From the additional testing of 40 cases a further one case was identified where an incorrect non-dependent deduction was applied resulting in an underpayment. A further three cases were identified where the incorrect dependent or non-dependent status was applied during the year, however there was no associated over or underpayment identified.</p> <ul style="list-style-type: none"> Our initial testing also highlighted one case where the Authority has overpaid benefit as a result of applying an income tariff (based on capital) that has been incorrectly calculated. As a result, an additional random sample of 40 cases was tested. <p>From the additional testing of 40 cases a further one case was identified where the Authority had overpaid benefit by incorrectly classifying 4-weekly earnings as monthly earnings. One further case was identified where benefit had been underpaid due to the incorrect earnings disregard being applied (this was identified as an isolated case). A further one case was identified where the claimant's earnings were incorrect as pension contributions were not deducted, however there was no resulting over/ under payment as the claimant was receiving the maximum benefit available.</p> <ul style="list-style-type: none"> As a result of the overpayments identified, an extrapolated error of £11,877 was calculated. The Authority was not required to amend for this error as the total value of errors in the population could not be isolated. We identified a £416 reconciliation difference between the benefit <i>granted</i> per the benefits software to the benefit <i>paid</i> per the software. We also reported that an error identified in 2012/13 in the up-rating of pension components in the benefits system remains as no system changes have been enforced to change the calculation of the pension components. 	None
2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> The return required amendment to four cells to correct the classification of mortgage principal payments and right to buy discount repayments. There was no bottom line adjustment. This was not a repeat issue from the previous year. 	No monetary effect

Our overall fee for the certification of grants and returns is £685 higher than the original estimate, subject to Audit Commission approval.

Some improvements to day-to-day claims processing should reduce the number of errors within the BEN01 claim.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	17,335	27,578
CFB06 – Pooling of Housing Capital Receipts	1,050	1,632
LA01 – National Non Domestic Rates return	1,600	4,878
Total fee	19,985	37,973

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £19,300. Based on the actual work we carried out the total fee we propose to charge is higher than the indicative fee by £685. The main reasons for the fee exceeding the indicative fee are:

- additional work being required to address errors in the BEN01 grant and the issues that required a qualification to our audit certificate, resulting in an increase in fee of £2,585 for this claim.
- we carried out less detailed testing on CFB06 and LA01 under the Commission's three year cyclical approach which was not included in the original indicative fee, resulting in a reduction in fee of £1,900 for both of these claims.

The additional fee for the BEN01 claim is still subject to confirmation by the Audit Commission, and consequently our overall fee information is presented as estimated rather than final at this stage.

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:

- improve the day-to-day processes in place within the benefits department to reduce the number of errors identified in the BEN01 claim.

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 audit.

Priority rating for recommendations

<p>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.</p>	<p>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.</p>	<p>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.</p>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Claims processing and recording					
<p>Non-dependent status</p> <p>In our initial testing we identified one error where the non-dependent deduction had not been applied after the youth turned 18.</p> <p>Further testing identified four further cases where the dependent status was incorrectly recorded on the benefits system.</p>	<p>There is a risk to the Authority that benefit is being awarded based on inaccurate claimant and household details.</p> <p>Deductions may therefore be calculated incorrectly or not applied at all.</p>	<p>1</p> <p>The Authority should record more detailed notes on the benefits system to evidence review of dependent status when changes in the household occur.</p> <p>The Authority should provide training to the benefits team to reiterate the correct procedures for recording dependent status.</p>	<p>2</p>	<p>The authority accepts the findings of KPMG, however the extrapolated values of error found amount to only a 0.0379% error rate against a claim with a value of over £31,000,000.</p> <p>The findings have been reviewed and whilst as a service we strive to achieve a high standard of work we understand that human error will occur. We are satisfied that the level of error demonstrated is within an acceptable level given the increased workloads, processes and pressures faced by staff, particularly in the environment of uncertainty that surrounds Housing Benefits.</p> <p>Caseload, incoming post and notified changes have risen substantially over</p>	<p>The findings of the audit will be discussed with staff and all necessary adjustments to processes will be in place by March 2014.</p> <p>Benefits Manager, 31/03/14</p>
<p>Manual income inputting</p> <p>In our initial testing we identified one error where the incorrect income tariff was applied due to a transposition error in recording a claimant's capital.</p> <p><i>Continued overleaf...</i></p>	<p>There is a risk to the Authority that benefit is awarded based on incorrect income details.</p>	<p>2</p> <p>The Authority should reiterate to the benefits team the importance of recording details correctly for each claim, and that human error can result in incorrect benefit payments to claimants.</p>	<p>2</p>	<p>Caseload, incoming post and notified changes have risen substantially over</p>	<p>The findings of the audit will be discussed with staff and all necessary adjustments to processes will be in place by March 2014.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Manual income inputting (continued)</p> <p>Further testing identified three further cases where the income was incorrectly recorded in the benefits system.</p>		2	2	<p>over recent years, combined with the impact of welfare reform these have been the major driving forces behind the increases identified above.</p> <p>Processes and procedures within the service are reviewed regularly and in light of the cases highlighted by the audit we are reviewing our methodology in respect to monitoring staff output; whilst ensuring that our excellent record of prompt and accurate payment is not affected by over vigorous checking mechanisms.</p>	Benefits Manager, 31/03/14



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