



PUBLIC SECTOR

Certification of grants and returns 2009/10

Kettering Borough Council

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AUDIT

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<p>Introduction & background</p>	<p>This report summarises the results of work on the certification of the Council’s 2009/10 grant claims and returns</p> <ul style="list-style-type: none"> ● For 2009/10 we certified: <ul style="list-style-type: none"> – 4 grants with a total value of £30m – 2 returns with a total value of £31m 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for five grant claims/returns but qualifications were necessary for 1 case:</p> <ul style="list-style-type: none"> ● HRA Subsidy Base Data Return <ul style="list-style-type: none"> ➢ The Council has been unable to provide supporting documentation to confirm the correct classification of properties we selected as part of our sample testing. Whilst it was evident from our sample testing that the information is available for some properties, it was not available for all. It was also identified during our testing that there were a number of inconsistencies between records held by the Council for example Anite, the fixed asset register and the major repairs allowance spreadsheet which is used to compile the claim. This issue has been on going for a number of years and as a result we have qualified the claim for the past six years. 	<p>Pages 4 – 6</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to two of the Council’s grant claims/returns as a result of our certification work this year:</p> <ul style="list-style-type: none"> ● Housing & Council Tax Benefits Scheme Return <ul style="list-style-type: none"> ➢ As part of our testing we identified a number of errors, which resulted in three claimants being overpaid and one claimant being underpaid. The errors were a result of Council Officers using the wrong earnings/wage slip information when calculating the claimants’ entitlement. In line with Audit Commission requirements an additional 40 cases were tested and five further errors were identified. The total impact of these errors was to reduce the amount of subsidy claimed by £5,566. ● HRA Subsidy <ul style="list-style-type: none"> ➢ Two amendments were made to the return in relation to the figures entered for the Capital Financing Requirement at 1 April 2009 and the Capital Financing Requirement at 1 April 2010. There is no financial impact for the Council as a result of these amendments to the claim. 	<p>Pages 4 - 6</p>

Headlines (continued)

The Council's arrangements	The Council has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas	Page 8 - 11
	<ul style="list-style-type: none">● The Council would benefit from providing training to Officers from outside the Finance Team to ensure that all Officers who provide data for the preparation of grant claims / returns are aware of the importance of the grants certification process and what it involves.● The Council should maintain a comprehensive database of information on its housing stock.● The Council would benefit from reviewing the completeness and accuracy of its housing stock records against the results of the latest stock condition survey. The Council should also consider holding its housing stock records on one central database, namely the Anite housing management system.	
Fees	Our overall fee for the certification of grants and returns exceeded our original estimate	Page 7
	<ul style="list-style-type: none">● The 2009/10 fee for the certification of grants and returns is £46,945 (compared to £33,190 for 2008/09). The fee for 2009/10 is higher than that in 2008/09 due to additional work being required as a result of changes to certification requirements for the Housing & Council Tax Benefits Scheme return and errors identified during the course of the certification of the HRA Subsidy Base Data Return, the Housing & Council Tax Benefits Scheme Return and the Whole of Government Accounts (WGA).● To help minimise certification fees in the future, the Council should:<ul style="list-style-type: none">- undertake quality control reviews of the working papers prepared to support each grant and return to ensure that they reconcile to the figures quoted in each grant / return; and- provide guidance to officers in other departments to improve the standard of working papers and supporting evidence provided to support each grant claim/return.	

Summary of certification work outcomes

Overall, we certified six grants and returns

- **Three were unqualified with no amendment**
- **Two were unqualified but required some amendment to the final figures**
- **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 2009/10 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
National Non-Domestic Rates Return					
Pooling of Housing Capital Receipts					
HRA Subsidy Base Data Return	1				
Disabled Facilities Grant					
Housing & Council Tax Benefits Scheme	2				
HRA Subsidy	3				
Total		1	-	2	3

Summary of certification work outcomes (continued)

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>HRA Subsidy Base Data Return</p> <ul style="list-style-type: none"> ● The Council has been unable to provide supporting documentation to confirm the correct classification has been applied to the properties we selected as part of our sample testing, e.g. small terraced house versus large terraced/semi-detached house and low-rise versus medium-rise flat. Whilst it was evident from our sample testing that the information is available for some properties, it was not available for all. ● It was also identified during our testing that there were a number of inconsistencies between the records held by the Council, for example the Anite housing management system listing a property as a 2 bedroom house, whilst the major repairs allowance spreadsheet, which is used to compile the claim, listed the same property as having 3 bedrooms. ● This issue of inconsistent records has been prevalent for the last six years and as a result we have qualified the claim. There is a risk that if this issue is not addressed in the short-term that the Department for Communities and Local Government (CLG) may reclaim grant income from the Council. ● The Council needs to: <ul style="list-style-type: none"> - undertake a comprehensive review of its housing stock records to ensure that records are held for all units which clearly identify the classification of each property, e.g. small terraced house versus large terraced/semi-detached house and low-rise versus medium-rise flat; - review, on a unit by unit basis, the classifications currently reported against those identified on the stock records and where necessary amend records to ensure they reflect the correct classifications; - identify one system that is to be used as the prime data source for this claim and undertake a reconciliation between the prime data source and other data sources, e.g. fixed asset register and major repairs allowance spreadsheet, to ensure that the prime data source contains complete records for all the Council's housing stock. All records should be updated on a regular basis and a reconciliation carried out; and - carry out a comprehensive stock condition survey ensuring adequate samples (in line with CLG requirements) are reviewed. 	-

Summary of certification work outcomes (continued)

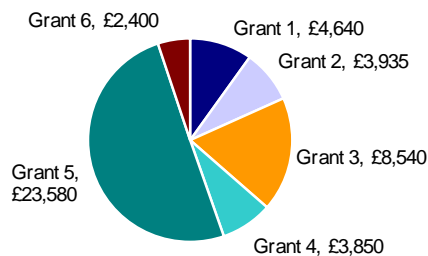
This table summarises the key issues behind each of the adjustments or qualifications that were identified on page 4

Ref	Summary observations	Amendment
2	<p>Housing & Council Tax Benefit Scheme Return</p> <ul style="list-style-type: none"> As part of our testing we identified a number of errors, which resulted in three claimants being overpaid and one claimant being underpaid. The errors were a result of Council Officers using the wrong earnings/wage slip information when calculating the claimants' entitlement. In line with Audit Commission (AC) requirements an additional 40 cases were tested and five further errors were identified. In line with AC requirements the errors were quantified and extrapolated which resulted in an overall reduction in the amount of subsidy claimed of £5,566. 	- £5,566
3	<p>HRA Subsidy</p> <ul style="list-style-type: none"> Two amendments were made to the claim in relation to the figures entered for the Capital Financing Requirement at 1 April 2009 and the Capital Financing Requirement at 1 April 2010. These adjustments have no impact on the Council's HRA Subsidy entitlement, as calculated by the claim. 	-

Fees

Our overall fee for the certification of grants and returns is higher than our original estimate

Breakdown of certification fees 2009/10



Breakdown of fee by grant / return	2009/10 (£)	2008/09 (£)
1. National Non-Domestic Rates Return	4,640	3,485
2. Pooling of Housing Capital Receipts	3,935	2,985
3. HRA Subsidy Base Data Return	8,540	7,028
4. Disabled Facilities Grant	3,850	3,245
5. Housing & Council Tax Benefits Scheme Return	23,580	14,663
6. HRA Subsidy	2,400	1,785
Total fee	46,945	33,190

Our initial estimated fees for certifying 2009/10 grants and returns was £35,000. The actual fee charged was higher than that estimate. The main reasons for the fee exceeding the original estimate were:

- additional work being required to address a significant numbers of errors in the HRA Subsidy Base Data Return, which resulted in a qualification to our audit certificate. Moreover, supporting working papers were inadequate, which led to additional work being undertaken to resolve the issues identified; and
- additional work being required on the Housing & Council Tax Benefits Scheme as a result of changes in the audit methodology determined by the Audit Commission. Furthermore, additional time was spent resolving queries as a result of errors identified in claimants' entitlement and completing 40+ sample testing across those cells where errors were identified.

We have identified a number of recommendations which should help minimise certification fees in the future. These are detailed overleaf.


Recommendations

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>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer & target date
Certification of grant claims and returns					
<p>Officer training</p> <p>Grant claims and returns are compiled by officers across the whole of the Council, not just those in the Finance Team. Through the course of our certification work we have identified that officers outside of the Finance Team have a limited understanding of the grant claim certification process. This has led to inconsistencies with regards to the quality of working papers and audit evidence provided to support each grant claim / return.</p>	<p>Currently there is no consistency across the Council with regards to the quality of working papers and supporting evidence provided for each grant claim / return. As such, the certification process can be delayed as a result of having to request information that should be available at the start of each audit. Such delays can lead to the Council incurring additional fees for our grants certification work.</p>	<p>1 The Council's Finance Team should provide training to officers from other departments who provide data for the preparation of grant claims / returns. This training should cover the following:</p> <ul style="list-style-type: none"> - the importance of the grant certification process; - how to prepare an audit file to support each grant claim / return; - the type of information that is required to support each grant claim / return; and - what constitutes good quality working papers. 	<p>2</p>	<p>Agreed.</p> <p>Finance will support other service areas to ensure consistency across the Council for the quality of working papers and supporting evidence.</p>	<p>Group Accountant October 2011</p>

Recommendations (continued)

Issue	Implication	Recommendation	Priority	Comment	Responsible officer & target date
HRA Subsidy Base Data Return					
<p>Property records</p> <p>The Council has been unable to provide supporting documentation to confirm that the properties selected as part of our sample testing had been correctly classified.</p> <p>Whilst it was evident from our sample testing that information is available for some properties, it was not available for all in the sample.</p>	<p>We have been unable to confirm that the correct classifications have been used for the sample of properties selected for testing, e.g. small terraced house versus large terraced/semi-detached house and low-rise versus medium-rise flat. This in turn causes significant doubt over the accuracy of the classifications reported for the remainder of the Council's housing stock that was not included in the sample.</p>	<p>2 In line with AC requirements, the Council should undertake a comprehensive review of its housing stock records to ensure that records are held for all units. The stock records should clearly identify the classification of each property, e.g. small terraced house versus large terraced/semi-detached house and low-rise versus medium-rise flat.</p> <p>Once stock records have been obtained, the Council should review, on a unit by unit basis, the classifications currently reported against those identified on the stock records. Where differences are identified, the Council should amend their high-level records to ensure they reflect the correct classifications.</p>		<p>A review of housing stock records has commenced to identify the classification of all properties.</p> <p>We will continue to liaise with KPMG in advance on the next audit.</p>	<p>Head of Housing and Group Accountant June 2011</p>

Recommendations (continued)

Issue	Implication	Recommendation	Priority	Comment	Responsible officer & target date
HRA Subsidy Base Data Return (continued)					
<p>Sources of evidence</p> <p>It was also identified during our testing that there were a number of inconsistencies between the records held by the Council, for example the Anite housing management system listing a property as a 2 bedroom house, whilst the major repairs allowance spreadsheet listing the same property as having 3 bedrooms. It is the major repairs allowance spreadsheet that is used to compile the grant claim.</p>	<p>The Anite housing management system is used to raise the annual rent debit. If this system has incorrect property records, e.g. incorrect type of property or incorrect number of bedrooms, there is a risk that the annual rent debit raised may also be incorrect.</p>	<p>3 The Council should identify one system that is to be used as the prime data source for this claim. We would recommend Anite.</p> <p>The Council should undertake a reconciliation between the prime data source and other data sources, e.g. fixed asset register and major repairs allowance spreadsheet, to ensure that the prime data source contains complete records for all the Council's housing stock.</p> <p>If the Council continues to use separate data sources, regular reconciliations should be undertaken between the different systems to ensure they all contain the same information.</p>		<p>Agreed.</p> <p>The Anite system is to be used as the prime data source for this claim.</p>	<p>Head of Housing and Group Accountant June 2011</p>