

PUBLIC SECTOR

# Certification of grants and returns 2008/09

Kettering Borough Council

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AUDIT

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	<b>Page</b>
● Headlines	<b>2</b>
● Summary of certification work outcomes	<b>4</b>
● Fees	<b>7</b>

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**Headlines**

<p><b>Introduction &amp; background</b></p>	<p><b>This report summarises the results of work on the certification of the Council’s 2008/09 grant claims and returns</b></p> <ul style="list-style-type: none"> <li>● For 2008/09 we certified             <ul style="list-style-type: none"> <li>– Four grants with a total value of £19.0m</li> <li>– Two returns with a total value of £31.1m</li> </ul> </li> </ul>	<p>-</p>
<p><b>Certification results</b></p>	<p><b>We issued unqualified certificates for four of the grants and returns but qualifications were necessary in two cases</b></p> <ul style="list-style-type: none"> <li>● Disabled Facilities Grant             <p>During 2008/09 the Council identified a potential fraud in relation to the administration of Disabled Facilities Grants. As a result, Internal Audit carried out a review of the controls in place and awarded the system a no assurance rating.</p> <p>Based on the results of the Internal Audit review, we completed Part A and Part B testing, compared to Part A only in 2007/08. Our testing identified:</p> <ul style="list-style-type: none"> <li>- one application (out of a sample of 20 cases) where a grant awarded of £1,790 could not be supported by a case file (as required by the Council’s procedures relating to the administration of DFG applications); and</li> <li>- that the Council had included £15,311 of ineligible administration costs in the grant claim.</li> </ul> </li> <li>● HRA Subsidy Base Data Return             <ul style="list-style-type: none"> <li>- During the course of our audit, the Council was unable to provide supporting documentation for the classification of all properties in our sample. However in response to our request, the Council provided additional documentation to support the classification of these properties although delays meant that the original deadline for the claim of 9<sup>th</sup> October was missed.</li> <li>- Our testing identified, 16 instances where the property size included on the Council’s fixed asset register did not correspond to that identified on the stock condition survey carried out during 2009.</li> <li>- Our testing identified, that in calculating the principal outstanding on HRA mortgages as at 1 April 2010, the Council had assumed that principal repayments on mortgages for 2009/10 would be the same as for 2008/09. This is not the case as the ratio between mortgage interest and principal repayments shifts towards principal over time.</li> </ul> </li> </ul>	<p><b>Pages 4 – 6</b></p>

<b>Audit adjustments</b>	<p><b>Adjustments were necessary to four of the Council's grants and returns as a result of our certification work this year</b></p> <ul style="list-style-type: none"> <li>● Minor adjustments were required to the Pooling of Housing Capital Receipts grant and the Housing &amp; Council Tax Benefits Scheme grant. In both cases the adjustments were less than £3k.</li> <li>● An adjustment of approximately £16k was required to the Disabled Facilities Grant to remove ineligible administration costs and the value of a grant awarded which was not supported by a case file. However the adjustments did not reduce the Council's grant allocation for the year.</li> <li>● Adjustments were required to five cells on the HRA Subsidy Base Data Return (total terminations; value of stock at 1 April 2009; average weekly formula rent 2009-10; average weekly unconstrained transitional rent 2009-10; and principal outstanding on mortgages at 1 April 2010).</li> </ul>	<p><b>Pages 4 – 6</b></p>
<b>Fees</b>	<p><b>Our overall fee for the certification of grants and returns has exceeded our original estimate of £26k</b></p> <ul style="list-style-type: none"> <li>● The 2008/09 fee for the certification of grants and returns is £33,190 (compared to £30,395 for 2007/08).</li> <li>● The fee for 2008/09 is higher than that in 2007/08 due to additional work being required on the HRA Subsidy Base Data Return, the Disabled Facilities Grant and the Housing &amp; Council Tax Benefits Scheme Return.</li> <li>● To help minimise certification fees in the future, the Council could: <ul style="list-style-type: none"> <li>- 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</li> <li>- provide guidance to officers in other departments to improve the standard of working papers and supporting evidence.</li> </ul> </li> </ul>	<p><b>Page 7</b></p>

# Summary of certification work outcomes

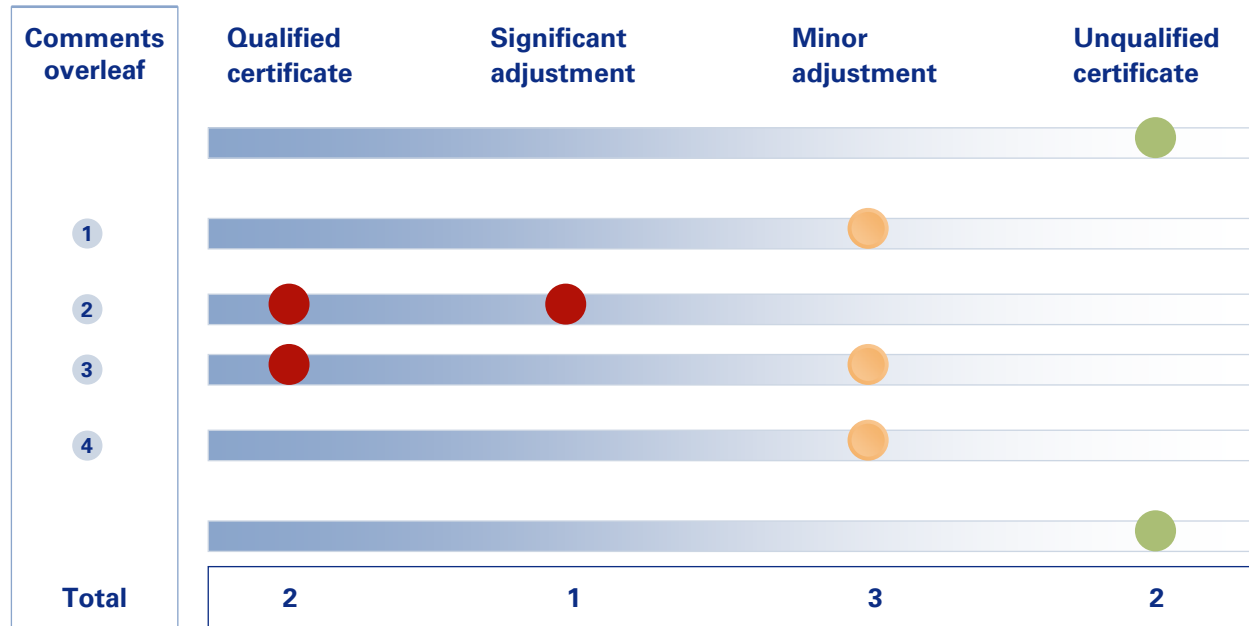
**Overall, we certified six grants and returns**

- **Two were unqualified with no amendments**
- **Two were unqualified but required some amendment to the final figures**
- **Two required a qualification to our audit certificate and required some adjustment to the final figures**

**Detailed comments are provided overleaf**

**Detailed below is a summary of the key outcomes from our certification work on the Council’s 2008/09 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.



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><b>Pooling of Housing Capital Receipts</b></p> <ul style="list-style-type: none"> <li>Our testing identified that the Council had incorrectly included 100% of the sale proceeds and costs relating to the disposal of some land. The Council only held a 50% share of the land.</li> <li>In calculating the administrative costs incidental to the disposal of dwellings, the Council incorrectly included central support costs which are ineligible per the Certification Instruction.</li> <li>In calculating net interest on late payments, the Council had incorrectly netted off an overpayment of £492 resulting in a negative value which is not permissible per the Certification Instruction.</li> </ul>	+ £2,059
②	<p><b>HRA Subsidy Base Data Return</b></p> <ul style="list-style-type: none"> <li>During the course of our audit, the Council was unable to provide supporting documentation to confirm the property archetype classification for 5 properties in our sample and the property age for 4 properties in our sample. However in response to our request, the Council provided additional documentation to support the classification of these properties.</li> <li>Our testing identified, 16 instances where the property size included on the Council's fixed asset register did not correspond to that identified on the stock condition survey carried out during 2009.</li> <li>Our testing identified, that in calculating the principal outstanding on HRA mortgages as at 1 April 2010, the Council had assumed that principal repayments on mortgages for 2009/10 would be the same as for 2008/09. This is not the case as the ratio between mortgage interest and principal repayments shifts towards principal over time.</li> <li>This return has been qualified for the same reason for the past five years.</li> </ul>	
③	<p><b>Disabled Facilities Grant</b></p> <ul style="list-style-type: none"> <li>Our testing identified that the Council had included £15,311 of ineligible administration costs in the grant claim.</li> <li>Our testing identified (out of a sample of 20 cases) one application where a grant awarded of £1,790 could not be supported by a case file (as required by the Council's procedures relating to the administration of DFG applications). However, as the total value of grants awarded by the Council exceeded the allocation for 2008/09 and the Council is liable for all expenditure over and above the allocation, this adjustment did not give rise to any of the allocation being reclaimed.</li> </ul>	- £16,000

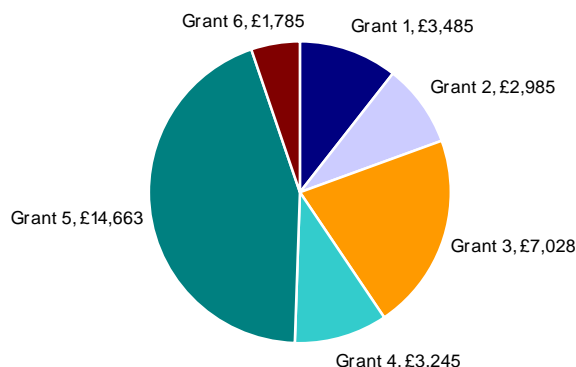
Ref	Summary observations	Amendment
4	<p><b>Housing &amp; Council Tax Benefits Scheme</b></p> <ul style="list-style-type: none"> <li>Our testing identified that the Council had included £2,744 for prior year un-cashed cheques. This is incorrect as the Council writes-off cheques that are in excess of 12 months old.</li> <li>Our testing identified two instances where payslip data had been incorrectly entered into the Academy system resulting in an underpayment of £15.86 and an overpayment of £19.74.</li> <li>Our testing identified one instance where subsidy had been claimed against the incorrect tenure type. A benefit payment of £1,728 should have been classified as a HRA property, instead it was classified as a non-HRA property.</li> </ul>	+ £2,760

**Fees**

Our overall fee for the certification of grants and returns has exceeded our original estimate by £7k

Additional work was required on the Disabled Facilities Grant, the HRA Subsidy Base Data Return and the Housing & Council Tax Benefit Scheme Return

**Breakdown of certification fees 2008/09**



Breakdown of fee by grant / return	2008/09 (£)	2007/08 (£)
1. National Non-Domestic Rates Return	<b>3,485</b>	5,830
2. Pooling of Housing Capital Receipts	<b>2,985</b>	3,590
3. HRA Subsidy Base Data Return	<b>7,028</b>	4,945
4. Disabled Facilities Grant	<b>3,245</b>	835
5. Housing & Council Tax Benefits Scheme	<b>14,663</b>	11,665
6. HRA Subsidy	<b>1,785</b>	3,540
<b>Total fee</b>	<b>33,190</b>	<b>30,405</b>

Our initial estimated fees for certifying 2008/09 grants and returns was £26k. The actual fee charged was higher than that estimate. The main reasons for the fee exceeding the original estimate were:

- poor and incomplete supporting working papers and subsequent additional work being required to address errors in the HRA Subsidy Base Data Return, which resulted in a qualification to our audit certificate;
- additional work being required on the Disabled Facilities Grant as a result of a potential fraud being identified by the Council, which resulted in a qualification to our audit certificate; and
- additional time being spent resolving queries arising from our audit testing of the Housing & Council Tax Benefits Scheme, some of which resulted in adjustments to the final figures.

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:

- 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.