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Certification of grants and returns 2011/12

London Borough of Tower Hamlets
December 2012



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<p>Introduction and background</p>	<p>The certification of the Council's grant claims and returns was undertaken by your previous auditor, the Audit Commission's Audit Practice . This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns, completed by the Commission.</p> <p>For 2011/12 your auditor certified:</p> <ul style="list-style-type: none"> – two grants with a total value of £285,576 million; and – four returns with a total value of £341,453 million. 	
<p>Certification results</p>	<p>Unqualified certificates were issued for 4 grants and returns but qualifications were necessary in two cases.</p> <ul style="list-style-type: none"> ■ The Housing Benefit and Council Tax Benefit Subsidy return was qualified due to errors in income calculations which resulted in benefit underpayments. The qualification letter also set out the results of the work the Council did in response to the qualification of the 2008/09 claim. This matter related to the Council's failure to apply single person's discount in all of the cases that it should have done. ■ The Housing Subsidy return was qualified due to a technical error. The Council could not have corrected this and there was no impact on the subsidy payable to the Council. 	<p>Pages 3 – 4</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to four of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ The amendments to the Housing Benefit and Council Tax Benefit return reduced the subsidy payable to the Council by £826k. Whilst this is a large sum, it represents only 0.3% of the total value of the claim which was £284 million. ■ Amendments were required to the Single Programme return because the Council incorrectly declared that it had received £1,083k of income. This amendment represented 100% of the income due in respect of this programme. 	<p>Pages 3 – 4</p>
<p>The Council's arrangements</p>	<p>The Council has sound overall arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas.</p> <ul style="list-style-type: none"> ■ Overall the Council's arrangements for preparing grant claims and returns are adequate. There has been an improvement in the management of the certification process for the larger grants and this has resulted in fewer qualification letters and less significant adjustments. There are weaknesses in the processes in respect of smaller grants such as the GLA Single Programme and there is scope for the Council to improve in this area. 	<p>Page 5 – 6</p>
<p>Fees</p>	<p>The overall fee for the certification of grants and returns was £69,206k.</p> <ul style="list-style-type: none"> ■ The fee has reduced by £36,849k. The reduction is mainly due to improvements in the quality control arrangements for larger claims and a reduction in the number of claims subject to certification. 	<p>Page 5</p>

Overall, we certified six grants and returns:

- one was unqualified with no amendment;
- three were unqualified but required some amendment to the final figures; and
- two required a qualification to the audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from the certification work on the Council's 2011/12 grants and returns, showing where either audit amendments were made as a result of the work or where the auditor 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.

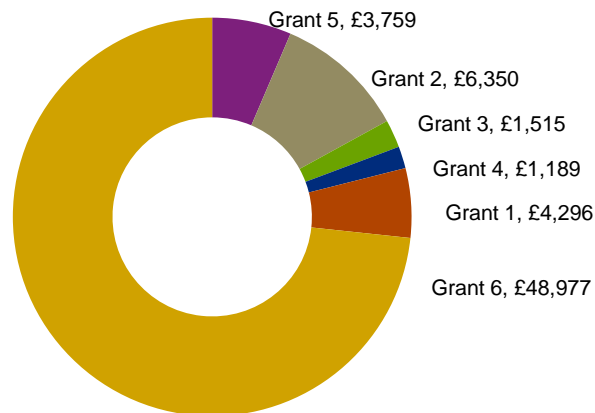
	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
GLA Single Programme (High Street 2012)	1		●		●
National Non-Domestic Rates Pooling Return					●
Pooling of Housing Capital Receipts				●	●
Teachers' Pensions Return				●	●
Housing Finance Subsidy Return	2	●			
Housing Benefit and Council Tax Benefit Claim	3	●		●	

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>GLA Single Programme (High Street 2012)</p> <p>The GLA single programme grant return reported that the Council had received £1,083k of income that was due to the Council but had not been received. The claim was amended to correct the error before it was certified but this indicates weaknesses in the quality control arrangements for this claim.</p>	Income payable increased by £1,083k
2	<p>Housing Finance Subsidy Return</p> <p>The Housing Finance Subsidy return was qualified due to a technical matter that it was not possible for the Council to address in the claim. The qualification led to further information being provided to the CLG which resolved the issue and this did not have an impact on the subsidy payable to the Council.</p>	N/a
3	<p>Housing Benefit and Council Tax Benefit Claim</p> <p>The Housing Benefit and Council Tax Benefit Subsidy return was qualified due to errors in income calculations which resulted in underpayments to benefit recipients. The extent and impact of the qualification was less than in previous years and there was no reduction in subsidy payable to the Council as a result of the errors in the income calculations. This reflects the significant work the Council has undertaken to improve the quality monitoring arrangements in this area.</p> <p>Amendments were made to the claim to reflect the impact of software updates provided by the Council's software supplier. The amendments reduced the value of the claim by £826k which represents 0.3% of the subsidy claimed. The Audit Commission did not raise any concerns relating to the Council's arrangements to manage the process of software updates.</p> <p>The 2008/09, 2009/10 and 2010/11 claims were qualified due to the Council's failure to apply single person's discount in all of the cases that it should have done. The Council undertook a review of the 2008/09 cases in 2012 and the results of this review were reported in this year's qualification letter. The Council should now make the review of the 2009/10 and 2010/11 cases a priority.</p>	Subsidy payable to the Council reduced by £826k

Our overall fee for the certification of grants and returns was been contained within the original estimate.

Breakdown of certification fees 2011/12



Breakdown of fee by grant/return		
	2011/12 (£)	2010/11 (£)
1. GLA Single Programme (High Street 2012)	4,296	3,317
2. National Non-Domestic Rates Pooling Return	6,350	10,038
3. Pooling of Housing Capital Receipts	1,515	5,439
4. Teachers' Pensions Return	1,189	1,329
5. Housing Finance Subsidy Return	3,759	2,092
6. Housing Benefit and Council Tax Benefit Return	48,977	54,808
Claims and returns certified in 2010/11 but not in 2011/12	-	23,957
Managements and reporting	3,120	5,075
Total fee	69,206	106,055

The initial estimated fees for certifying 2011/12 grants and returns was £96,000. The actual fee charged was lower than the estimated fee. The main reasons for the fee being below the original estimate were:

- the continued improvement the Council has made in the quality control arrangements for its larger claims and returns; and
- a reduction in the number of claims subject to certifications.

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
<p>Housing Benefit and Council Tax Benefit Subsidy Return– Single Person's Discount</p> <p>The Council has not completed work requested by the CLG in response to qualifications of prior year claims in relation to the application of single person's discount in the subsidy return.</p>	<p>There is a risk that Communities and Local Government may adjust previous year's subsidy claims to the detriment of the Council</p>	<p>1 Complete the review of 2009/10 and 2010/11 Council Tax Benefit cases to identify instances where single persons' discount should have been applied. Make the results of the review available for our review.</p>	<p>1</p>	<p>Work has commenced on the 2009/10 and 2010/11 Council Tax Benefit/ SPD mismatches and is due to be completed by the end of March 2013.</p>	<p>Steve Hill, March 2013</p>
<p>Overall Control Environment</p> <p>There are weaknesses in the Council's overall control environment to ensure that smaller grant claims and returns have been completed in accordance with the awarding body's terms and conditions.</p>	<p>The Council may lose grant funding due to late or ineligible claims.</p>	<p>2 Strengthen the overall control environment for smaller grant claims and returns</p>	<p>1</p>	<p>Officers completing grant claims will be reminded about the importance of checking and reviewing claims prior to submission to the grant paying body and audit. This includes checking what grant cash sums are still due to the Council.</p>	<p>Kevin Miles, March 2013</p>



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