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Certification of grants and returns

2011/12

Barnsley Metropolitan Borough Council

December 2012

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Contents

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	Page
■ Headlines	2
■ Summary of certification work outcomes	3-4
■ Fees	5
■ Recommendations	6
■ Prior year recommendations	7

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<p>Introduction and background</p>	<p>This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2011/12 : <ul style="list-style-type: none"> – 3 grants with a total value of £97.2m; and – 3 returns with a total value of £62.5m. <p>were certified:</p>	-
<p>Certification results</p>	<p>Unqualified certificates were issued for four grants and returns but qualifications were necessary in two cases.</p> <ul style="list-style-type: none"> ■ The Housing and Council Tax Benefits claim was qualified following the identification of errors found by audit testing and ■ The Cudworth and West Green bypass was qualified due to the inclusion of ineligible expenditure. 	<p>Pages 3 – 4</p>
<p>Audit adjustments</p>	<p>Minor adjustments were necessary to three of the Council's grants and returns as a result of this year's certification work .</p>	<p>Pages 3 – 4</p>
<p>The Council's arrangements</p>	<p>The Council has good arrangements for preparing its grants and returns and supporting certification work but still needs to ensure that all external supplier payroll reports are included in the working papers submitted for audit in respect of the Teachers' Pensions Return</p>	<p>Page 5</p>
<p>Fees</p>	<p>The overall fee for the certification of grants and returns has been contained within the original estimate</p>	<p>Page 6</p>

Certification of grants and returns 2011/12

Summary of certification work outcomes

Overall, six grants and returns we certified :

- Three were unqualified with no amendment;
- One was unqualified but required amendment; and
- Two required a qualification to the auditor's 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's certificate was qualified.

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.

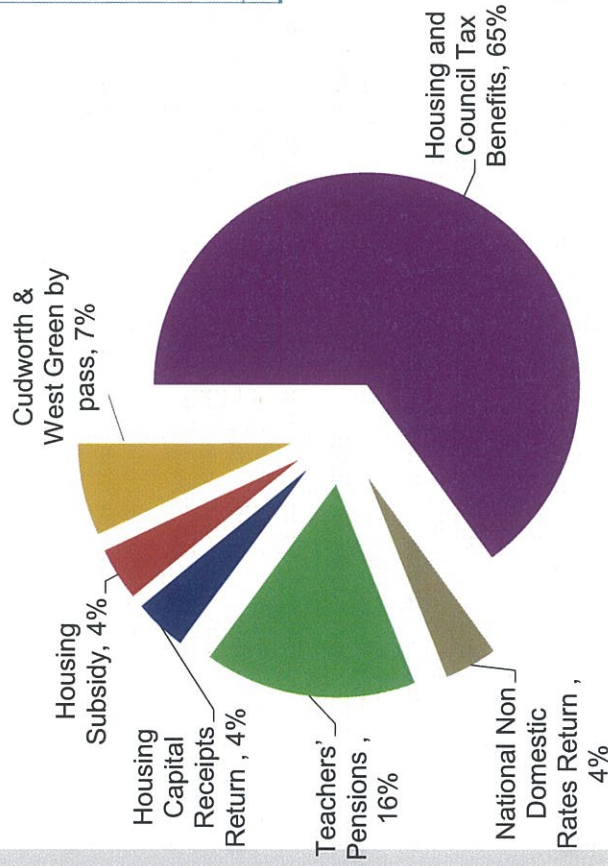
	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing and Council Tax Benefits	1				
National Non Domestic Rates					
Teachers' Pensions	2				
Housing Subsidy					
Housing Capital Receipts Return					
Transport Grants – Cudworth and West Green bypass	3				
		2	0	3	4

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 Benefits</p> <ul style="list-style-type: none"> The amount by which the claim was amended is small in the context of a claim of £92.3m. The adjustment is a net figure flowing from a number of adjustments that had to be made to the claim. The main issues arising related to the treatment of self employed and earnings income and the application of incorrect rates of tax credits The tax credits issue also arose in 2010/11 and was included in that year's qualification letter . 	+£3,998
2	<p>Teachers' Pensions</p> <ul style="list-style-type: none"> The adjustment reflects the net impact following the reconciliation of a number small differences. 	+£740
3	<p>Cudworth and West Green bypass</p> <ul style="list-style-type: none"> As in previous year's the claim was qualified due to the inclusion of ineligible overhead costs. The qualification letter also noted that £21,773 of expenditure relating to the main contract had been included in the wrong year. The work also identified £25,217 of work that had been awarded to the Council's Neighbourhood Services Team without competition and where the contract standing orders requirement to secure a waiver had not been followed. This is not the first time that certification work has identified breaches of contract standing orders and this issue has been raised in previous audit reports. It is of concern that examples of non compliance are still being found despite agreed management action to increase staff awareness of the requirements and the need for compliance. The amendment reflects the removal of duplicate amounts that had been previously claimed for and the need to remove income from the claim that had not been received when the claim was made. 	+£8,394

The overall fee for the certification of grants and returns has been contained within the original estimate.

Breakdown of certification fees 2011/12



Breakdown of fee by grant/return	2011/12 (£)	2010/11 (£)
Housing and Council Tax Benefits	38,642	46,022
National Non Domestic Rates Return	2,393	3,002
Teachers' Pensions	9,666	11,868
Housing Subsidy	2,082	3,002
Housing Capital Receipts Return	2,362	5,775
Cudworth & West Green bypass	4,041	4,477
Total fee	59,186	74,146

The initial estimated fees for certifying 2011/12 grants and returns was £85,000. The actual fee charged was lower than that estimate.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations next year.

Priority rating for recommendations		
Issue	Implication	Responsible officer and target date
<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	Responsible officer and target date
Housing and Council Tax Benefits		
<p>Treatment of income Certification work identified errors in the treatment of tax credit, self employed and earnings income</p>	<p>1 Incorrect treatment can increase the risk of overpayments and loss of subsidy for the Council.</p>	<p>2 One to one meetings have been held throughout November with all assessors linked to the 2011/12 claims, to discuss issues raised and provide a refresher on how to calculate/assess the different treatments of tax credit, self employed and earnings income. As a follow on from this a more generic training package will be delivered by April 2013 targeting assessors that have been identified as having recurring input errors based on a 4% accuracy check which is carried out every month.</p>
<p>1 Carry out refresher training for assessors to ensure that they fully understand the requirements</p>	<p>2</p>	<p>Gil Hawkins Assistant Director Benefits, Taxation & Welfare Rights 30.4.13</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Housing and Council Tax Benefits					
Treatment of income Certification work identified errors in the treatment of tax credit, self employed and earnings income	Incorrect treatment can increase the risk of overpayments and loss of subsidy for the Council.	2 Undertake a review of 2012/13 cases of this type with a view to correcting any errors before the financial year end and the submission of the claim.	2	A target has been set for all 2012/13 case files to be reviewed and has been built into the Services work plan on the back of the qualification letter issued in October.	Gil Hawkins Assistant Director Benefits, Taxation & Welfare Rights 31.3.13
Cudworth and West Green bypass					
Non compliance with contract standing orders (CSOs). Work was awarded to an house team without competition and without complying with CSOs. Certification work in previous years also found examples of non compliance	Failure to comply with grant conditions Failure to obtain value for money. Increased risk of fraud and corruption.	3 Officers should be reminded of the need to comply with CSO's and action taken should they fail to comply.	1	A global email will be issued to remind all staff of the need to comply with Financial Regulations and Contract Standing Orders. PFA's will be reminded of the procedures required to comply with Financial Regulations and Contract Standing Orders, and Budget Managers at Budget Monitoring Meetings and refer them back to their Budget Managers guidance pack.	Neil Copley Acting Assistant Director of Finance & BSS 31.1.13

Three recommendations were made in the 2010/11 Certification of Grants and Returns report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation		Priority	Status as at October 2012	Management comments
Inclusion of ineligible overheads				
1	Officers should ensure that only eligible overhead costs are included in grant claims.	High	Recommendation was due for implementation by 30 June 2012. The 2011/12 claim contained the same overheads as in previous years.	Steps will be taken to ensure that only eligible overheads are included within future claims with particular emphasis on the exclusion of the apportionment of general, not directly attributable, management overheads. However, the cost of directly attributable support and other services, even where these are provided internally by the Council, will continue to be included at the appropriate rate / price which has been established for that particular service.
Teachers' pensions return				
2	Officers should ensure that working paper files include all the agreed documentation and are fully cross referenced	High	Due for implementation by 30 June 2012 and has been actioned with the exception of the inclusion of some payroll reports produced by external providers.	The Council will continue to improve its working papers files and in particular will address the cross referencing issue which arose in relation to the Teachers Pension working paper file
3	Payroll reports from external providers should included in the Teachers' Pensions Return working paper file.	High	Due for implementation by 30 June 2012. Not all the external payroll reports were included	A meeting with External Payroll providers took place at the end of January where the requirement to include external payroll provider reports on the Teachers Pensions working paper file was addressed.



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