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Our ref JC/Fee 14-15

Contact Linda Wild

22 April 2014

Dear Diana

#### **Certification of 2013/14 Grant Claims and Returns**

We are writing to you to confirm our arrangements for certifying your 2013/14 grant claims and returns. We issued our Annual Audit Fee 2013/14 letter on 25<sup>th</sup> April 2013 which set out that the indicative composite fee for the certification work in 2013/14 was £32,900 (plus VAT).

However, since then the Audit Commission has announced some changes in the programme of claims and returns they are making certification arrangements for in 2013/14. The revised indicative fee for 2013/14 is £24,226. This includes a reduction of 12% for the indicative fee for the Housing Benefit Subsidy claim to reflect the reduction in work from the abolition of Council Tax Benefit.

This is based on certifying the following schemes as notified by the Audit Commission in March 2014:

- Housing benefit subsidy claim;
- Pooling of housing capital receipts; and
- Local Transport Plan: Major projects.

To assist you in providing high quality working papers to enable us to deliver the certification work we have provided a *Prepared by Client List (PBC)* for:

- Housing Benefit subsidy claim – Appendix A; and
- All other grants and returns – Appendix B.

The PBC sets out what working papers we will require to carry out the certification work.



The indicative composite certification fee set by the Audit Commission is based on a number of assumptions. We may need to charge additional fee where:

- Claims require more work in 2013/14 than previously because they now fall above the Commission's audit thresholds;
- Claims require detailed testing of the claim or return entries under 'Part B' of the Certification Instruction tests in 2013/14, because of either a change in the control environment or the Audit Commission's cyclical testing requires it in 2013/14;
- As a result of our testing, the claim or return is amended or qualified; or
- We do not receive accurate and complete claims and supporting working papers to our agreed timetable which leads us to carry out additional certification work.

Where any of these factors apply to your certification work, we will discuss the impact on your fee at an early stage. Where we have to complete additional work and request a fee variation from the Audit Commission our additional fee will be billed at the Audit Commission's standard hourly rates less the 40% reduction in fees.

If you have any queries about our certification work for the coming year, please contact Linda Wild.

Yours sincerely,

John Cornett  
*Director*

Cc: Frances Foster, Director of Finance, Property and IT  
Neil Copley, Assistant Director - Finance

**Appendix A**  
**Prepared by Client list for Housing Benefit grant claim**

Our certification work on your Housing Benefit claim is determined by the Audit Commission's HBCOUNT approach. This approach does not enable auditors to reduce the amount of testing by relying on the control environment. Instead auditors are required to carry out:

- Standard tests, covering such areas as analytical review and reconciliation of the claim form to the benefits system;
- Initial testing of 20 claims from each of the applicable benefit types (Rent Allowance, HRA Rent Rebates, Non-HRA Rent Rebates);
- Initial testing on un-cashed cheques and modified schemes
- Specific testing on any cells qualified in the previous year; and
- Extended '40+' testing of an additional 40 cases in all cells where our initial testing identifies errors.

As in previous years, we have the following expectations of the Council in respect of testing:

- access to a terminal and the benefit system
- staff to assist with queries on the initial testing
- Council testing the initial samples
- Council testing the extended 40+ samples
- Council completing the HBCOUNT workbooks

We will select the samples for all the testing, and be in touch to agree the details of the work in May/June.

	Requirements	Reference
1	The completed original claim form signed by the chief financial officer	CI Test 2
2	An electronic (PDF) copy of the claim form	CI Test 3
3	Screen prints or system reports showing the 2013/14 up-rating for Housing Benefit cross referenced to HB Circular HB/CTB A2/2013 (revised). These should include all the up-ratings in the appendices in the HB Circular HB/CTB A2/2013 (revised) <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/225669/a2-2013_revised.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/225669/a2-2013_revised.pdf</a>	Module 2
4	A transaction breakdown of all headline cells, to include the HB reference number and benefit paid. The total of the breakdown should agree to the headline cell. Where this is different a reconciliation and explanation should also be provided	Module 3
5	A comparison of 2013/14 subsidy cell values to 2012/13. Please provide an explanation for values that have increased/decreased by more than 5%	Module 4
6	System report(s) showing the latest version and patches installed for the software used to produce the final subsidy claim	Module 5
7	System report(s) used to reconcile the subsidy paid to subsidy received	Module 5
8	System report(s) showing each section of the subsidy form	CI Test 4



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9	The reconciliations for each headline cell for benefits granted to benefits paid	CI Test 5
10	A breakdown of all current year un-cashed cheques and other payments	CI Test 8a
11	A breakdown of all prior year un-cashed cheques and other payments included in the claim form	CI Test 8b
12	A breakdown of all modified schemes included in the claim form	CI Test 9
13	DWP letter showing the amount of administration subsidy and payments on accounts included in the claim form for 2013/14	CI Test 10/11
14	General ledger report showing the payments on accounts included in the claim form received in 2013/14	CI Test 11

**Appendix B**  
**Prepared by Client List for all other claims & returns**

	Requirements
1	The original copy of the claim or return signed by an appropriate financial officer
2	Working papers to support entries in the claim/return, cross referenced to the claim/return
3	General ledger or other system prints supporting the entries in the claim/return, cross referenced to the claim
4	Where the amounts in the claim are not easily visible on the general ledger codes, a reconciliation of income and expenditure figures in the claim/return to working papers and account codes
5	Copies of original approvals, later variations and all other relevant correspondence with the grant paying body
6	Details of payments made on account, supported by relevant remittance advice notes from the grant paying body
7	A reconciliation of the balance on each claim or return with the accounts at the date of the responsible finance officer's certificate
8	An explanation of variances, greater than 5% from the previous period and from any in-year forecasts
9	Notes on the basis of any expenditure apportionment in the claim/return
10	A description of relevant internal controls and a note on the extent of any relevant internal audit coverage with cross references to files
11	If the claim/return includes expenditure incurred on contracts, evidence that the contracts were let in accordance with standing orders
12	Evidence that claim/return working papers have been reviewed by an appropriate officer
13	Copies of any internal audit reports relevant to the claim/return or associated financial systems or processes.

Please note this is a generic working paper requirement for claims and returns. We may also require additional working papers and further evidence for other specific aspects to support amounts in claims and returns and demonstrate compliance with scheme requirements. Once the relevant Certification Instructions are issued by the Audit Commission we will discuss any specific additional requirements with you. If you wish to have a copy of the Certification Instructions we will provide these to you.

