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Certification of grants and returns 2011/12

London Borough of Hammersmith & Fulham

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External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Michael McDonagh, who is the engagement leader to the Authority (telephone +44(0)20 7694 5546, e-mail michael.a.mcdonagh@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

<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. This work was completed by the Audit Commission prior to KPMG's appointment as your external auditors on 1 November 2012.</p> <p>For 2011/12 the Audit Commission certified five claims or returns with a total value of £363,985,000.</p>	<p>-</p>
<p>Certification results</p>	<p>The Audit Commission issued unqualified certificates for three grants and returns but qualifications were necessary in two cases.</p> <p>The Housing and council tax benefit scheme and National non-domestic rates return were qualified. This was a similar performance to the prior year where three claims were qualified, but more claims required certification.</p>	<p>Pages 3 – 4</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to two of the Council's grants and returns as a result of the Audit Commission's certification work this year.</p> <p>The adjustments were to the Housing and council tax benefit scheme and the HRA subsidy. Both adjustments were minor. This was an improvement on the prior year where amendments were required to five claims.</p>	<p>Pages 3 – 4</p>
<p>The Council's arrangements</p>	<p>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work .</p> <p>Specific recommendations have been made in relation to the two claims that were qualified.</p>	<p>Page 5 – 6</p>
<p>Fees</p>	<p>The Audit Commission's overall fee for the certification of grants and returns has been contained within the original estimate.</p> <p>The fee has reduced significantly from the prior year. The primary reason for this is the reduction in the number of claims that required certification. The improvement in the quality of Housing and council tax benefit and Pooling of housing capital receipts claims also resulted in reduced fees.</p>	<p>Page 5</p>

Overall, the Audit Commission certified five grants and returns:

- Two were unqualified with no amendment;
- One was unqualified but required a minor amendment to the final figures; and
- Two required a qualification to our audit certificate.

Detailed comments are provided overleaf.

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

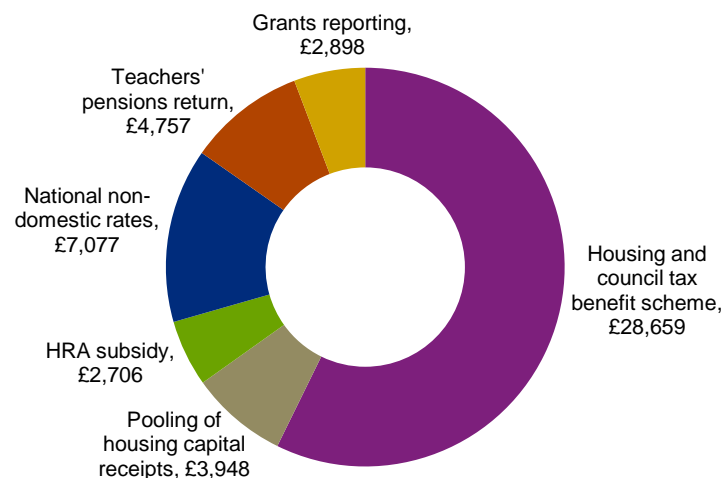
	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing and council tax benefit	1				
Pooling of housing capital receipts					
HRA subsidy					
National non-domestic rates	2				
Teachers' pensions return					
		2	0	2	3

This table summarises the key issues behind each of the qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing and council tax benefit (claim value: £164,983,859)</p> <ul style="list-style-type: none"> The draft claim was subsequently amended by officers prior to commencement of the audit. This resulted in an increase to subsidy claimed of £5k. The claim was qualified as initial sample testing identified two errors and as such auditors conducted two sets of additional testing. The additional testing identified one further error. All errors related to overpayments in relation to the incorrect processing of claimant information. The figures reported in the qualification letter were an extrapolated overpayment of £2,933 for non-HRA rent rebates, and an extrapolated overpayment of £12,492 for rent allowances. 	+£5k
2	<p>National non-domestic rates (claim value: £177,122,597)</p> <p>The return was qualified as the Council is conducting an internal investigation into the granting of retrospective reliefs where the properties did not qualify. As the investigation was ongoing the impact on the return could not be established. In addition, testing of 20 properties claiming empty property relief identified:</p> <ul style="list-style-type: none"> Two properties related to the aforementioned investigation and evidence could not be provided that they qualified for relief. For two properties unconnected to the investigation evidence could not be provided that they qualified for relief. For four properties the relief had been granted retrospectively and therefore no inspection during the three month period was possible. In these cases the Council has stated that they place reliance on communication from the relief claimant. For the remaining 12 properties in my sample sufficient evidence was provided that the property qualified for empty property relief. 	n/a

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

Breakdown of certification fees 2010/11



Breakdown of fee by grant/return

	2011/12 (£)	2010/11 (£)
Housing and council tax benefit scheme	28,659	34,040
Pooling of housing capital receipts	3,948	5,982
HRA subsidy	2,706	2,254
National non-domestic rates	7,077	6,249
Teachers' pensions return	4,757	5,217
Grants reporting	2,898	2,772
Other claims not requiring certification in 2011/12	-	18,898
Total fee	50,045	71,412

The initial estimated fees for certifying 2011/12 grants and returns was £70,000. The actual fee charged was lower than that estimate. Overall arrangements for the preparation of claims and returns is adequate. The main reasons for the reduction in fee were:

- Fewer claims requiring certification than anticipated in initial planning.
- The quality of the housing and council tax benefit scheme improved on prior years resulting in a shorter qualification letter and reduced fee.
- No amendments were required to the Pooling of housing capital receipts as was the case in the prior year.

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. Recommendations made in the prior year's certification of grants and returns report have been implemented.

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
Housing and council tax benefit					
<p>Overpayments and underpayments of benefit</p> <p>Sample testing of benefits cases identified nine instances where claimant income or rent levels had been incorrectly processed, resulting in underpayments and overpayments of benefits. The errors ranged from £20 to £697.</p>	<p>Incorrect processing of claimant information could result in incorrect benefits being awarded and incorrect subsidy being claimed.</p>	<p>1 Strengthen arrangements to ensure benefit claimant information is correctly processed by increasing quality checks or targeting checks in a smarter manner.</p>	<p>1</p>	<p>The Council has introduced new procedures to identify overpayments at an earlier stage and increased the number of checks undertaken to prevent these errors in future audits.</p>	<p>Director H&F Direct Already Implemented</p>
National Non Domestic Rates					
<p>Empty property relief</p> <p>Businesses receive relief from business rates when properties are empty. Testing of properties that received the relief identified instances where qualification for the relief could not be evidenced.</p>	<p>The Council may not be collecting all the income that is due to the national pool.</p>	<p>2 Obtain and retain evidence of properties qualifying for empty property relief. Ensure inspection reports are completed for all empty properties and reports are run to identify where an inspection has not occurred.</p>	<p>1</p>	<p>Empty relief is no longer granted until an inspection of the property has been undertaken to confirm its status. Where a claim is made retrospectively the applicant is required to provide full details in writing together additional supporting evidence. All such cases are then reviewed by a manager.</p>	<p>Director H&F Direct Already Implemented</p>



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