

**Report of the Director of Resources**

**Report to Corporate Governance and Audit Committee**

**Date: 21<sup>st</sup> January 2014**

**Subject: KPMG Certification of grants and returns 2012/13**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. KPMG have stated that the Council has effective arrangements for the central co-ordination and communication of grant claims. Of the claims and returns audited in 2012/13, one claim was qualified and one required a significant audit adjustments.
2. As in previous years the Housing & Council Tax Benefit Return was qualified due to minor reconciliation issues. In addition, due to problems with the quality assurance arrangements, further testing was required by KPMG resulting in an additional audit fee of £2k.
3. The significant audit adjustment was in respect of the disclosure of £1.8m in the Pooling of Housing Capital Receipts return. This had no impact on the level of pooled receipts.

**Recommendations**

4. Members are asked to note the results of the 2012/13 audit of grants and returns.

**1 Purpose of this report**

- 1.1 To inform members on the result of the work KPMG have carried out on the certification of grant claims in respect of 2012/13.

**2. Background information**

- 2.1 Each year the Government determines which grant claims require audit certification. The external auditors of each Local Authority are informed of these auditable grants

by way of a register supplied by the Audit Commission. Corporate Financial Management provide a central coordination role to ensure all relevant working papers and grant returns are available for the Council's external auditors in order to meet the Government timetables.

### **3 Main issues**

- 3.1 The attached report highlights the audit issues identified in respect of the 2012/13 grants and returns.
- 3.2 KPMG's report confirms that the Council has effective arrangements for the central co-ordination and communication of grant claims. The report does however identify one recommendation for improving the process. This has been built into procedures for 2013/14.
- 3.3 The audit report highlights one qualification in respect of 2012/13 grants. As was the case last year, this qualification was in respect of the Housing & Council Tax Benefit return. The qualification was again due to minor reconciliation differences between benefits paid per the claim form and benefits awarded per the benefits system. Members should note that KPMG are required to qualify a return if the systems used to support the claim are not fully reconciled. System improvements continue to be made but it should be recognised that the variance on the reconciliation amounted to less than £1k within a total claim of £337m. This variance had no impact on the claim received by the Council.
- 3.4 In addition to the above, for 2012/13 KPMG's report also identified that further testing was also required on the Housing & Council Tax Benefit return. For this additional testing the Council was charged an extra audit fee of £2k. If the Department of Work and Pensions was to adjust the subsidy by extrapolating the identified errors it would reduce the Council's subsidy by £2k. Members should note that officers have improved the processes to prevent a reoccurrence of this issue for the 2013/14 return.
- 3.5 KPMG's report also highlights areas where significant adjustment where required to a claim or return. For 2012/13 there was only one such adjustments, namely a £1.8m disclosure issue in respect of the Pooling of Housing Capital Receipts. This had no impact on the level of pooled receipts.
- 3.6 Officers continue to action audit recommendations to minimise errors and ensure accurate returns and claims are made.

### **4 Corporate Considerations**

#### **4.1 Consultation and Engagement**

- 4.1.1 This is a factual report based on evidence provided by the external auditors and consequently no public, Ward Member or Councillor consultation or engagement has been sought.

#### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 This is a factual report based on evidence provided by the external auditors and has no direct implications for equality, diversity, cohesion and integration.

### **4.3 Council Policies and City Priorities**

- 4.3.1 Under the Committee's terms of reference, members are required to receive external audit reports in order to gain the necessary assurance regarding governance. The report from KPMG provides assurance that all grant claims received to date have been certified by the auditors and any audit adjustments actioned.

### **4.4 Resources and Value for Money**

- 4.4.1 Members should note the audit fee of £38k for certification of grants and returns for the financial year 2012/13.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 As this is a factual report based on evidence provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

### **4.6 Risk Management**

- 4.6.1 All recommendations contained within the Certification of Grants and Returns 2012/13 report have been considered and appropriate actions agreed.

## **5 Conclusions**

- 5.1 All grant claims and returns have been successfully completed and final approved claims submitted to the relevant granting organisation.
- 5.2 The audit process identified one qualification issues and one return required an adjustment to the amount claimed.
- 5.3 Weaknesses in the control environment have been evaluated and changes have been introduced where appropriate.
- 5.4 External audit certification remains a valuable part of the control process and helps ensure that correct money is received by the Council.

## **6 Recommendations**

- 6.1 Members are asked to note the results of the 2012/13 audit of grants and returns.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.