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Geoff Walker  
Acting Director for Strategic Finance  
Nottingham City Council  
Loxley House  
Station Street  
Nottingham, NG2 3NG

Our ref SS/RW

17 February 2015

Dear Geoff,

#### **Certification of claims and returns - annual report 2013/14**

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

<b>Claim/return</b>	<b>Certified value (£)</b>
BEN01 – Housing Benefit subsidy claim	149,146,860
CFB06 – Pooling of Housing Capital Receipts	5,731,934
TRA11	3,085,000
<b>Total</b>	<b>157,963,794</b>

#### **Matters arising**

##### BEN01 Housing Benefits Subsidy Claim

As in previous years, our certification work in respect of the Housing Benefit subsidy claim identified a number of errors. It was possible to amend the claim for some of these errors and given the scale and complexity of this claim, the amendments were for relatively minor amounts. However, DWP rules require that all issues are reported or amended regardless of size.

Where it was not possible to calculate an amendment, these errors were reported in a qualification letter to the DWP. Generally items are included in qualification letters, rather than the claim form being amended, if the effect of the errors found can only be extrapolated from a sample of cases tested.

The reasons for the errors leading to qualification of the claim were varied and included:

- Incorrect calculation of earnings – extrapolated impact circa £515,000
- Incorrect tax credit values – extrapolated impact circa £90,000
- Incorrect calculation of childcare costs – extrapolated impact circa £50,000
- Non-dependent deductions omitted – extrapolated impact £9,000

The DWP use the information provided in the qualification letter to decide what if any further evidence the Council needs to provide and ultimately what adjustment will be made to grant payments. As in previous years, the Council can also undertake further work and make representations to DWP to reduce the extrapolated impact.

Going forward it is recommended that the Authority reviews the areas in question and ensures that these are communicated to staff and covered in future quality checks.

#### CFB06 - Pooling of Housing Capital Receipts

Our certification work did not identify any issues or errors with the Pooling of Housing Capital Receipts claim, and we certified this claim unqualified without amendment.

#### TRA11 – Local Transport Major Projects Grant

This grant is scheme rather than year specific and there was no comparable claim in 2012/13. Our certification work did not identify any issues with the claim, and we certified this claim without amendment or qualification.

#### **Progress against last year's recommendations**

In our 2012/13 Certification Annual Report we raised five recommendations, three of which related to improving the accuracy of the Council's Housing Benefits claim. Of these three, one related specifically to Council Tax benefit and is no longer covered by the Housing Benefit claim and for the other two we are satisfied from our testing that the Council has improved its arrangements and addressed the recommendations.

One recommendation related to the Pooling of Housing Capital Receipts and we are satisfied from our testing that this issue has been resolved.

One recommendation related to the Teachers' Pensions Returns that is no longer certified within the Commission regime, and we have not included our follow up of the Council's progress in implementing this recommendation within this report.

Full details are included in Appendix 2.

**Certification work fees**

The Audit Commission set an indicative fee for our certification work in 2013/14 of £19,779. We have requested a fee variation from the Audit Commission for the housing benefits claim. Despite the removal of council tax testing we have had to conduct additional testing to cover the issues arising from prior year's audits. This is still awaiting approval. The total estimated fee, therefore, in 2013/14 is £20,814.

The details are set out in the table below:

<b>Claim</b>	<b>2013/14 Indicative fee (£)</b>	<b>2013/14 Final fee (£)</b>	<b>2012/13 Final fee (£)</b>
BEN01 – Housing Benefit subsidy claim	16,496	17,531	16,610
CFB06 – Pooling of Housing Capital Receipts	1,035	1,035	1,910
TRA11 – Local Transport Major Projects Grant	2,248	2,248	-
<b>Total</b>	<b>19,779</b>	<b>20,814</b>	<b>18,520</b>

Yours sincerely

Sue Sunderland  
Director

## Appendix 1 – 2013/14 Certification of Claims and Returns Action Plan

Priority rating for recommendations		
<p>❶ 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>❷ 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>❸ 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>

Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
1	<p>Errors were identified in the sample testing of housing benefit claims in the following areas at a level leading to an extrapolation of more than £10,000:</p> <ul style="list-style-type: none"> <li>• Incorrect calculation of earnings</li> <li>• Incorrect tax credit values</li> <li>• Incorrect calculation of childcare costs</li> </ul>	<p>The Authority should reinforce these areas when training staff and carry out specific quality checks to reduce the number of errors</p>	❶	

**Appendix 2 – Follow up of 2012/13 Certification of Claims and Returns Recommendations**

<b>Number</b>	<b>Prior year recommendation</b>	<b>Priority</b>	<b>Status in current year</b>	<b>Management comments</b>
1	<b>Housing benefits claim</b> Put in place a timetable for completion of both initial and further testing required to support the certification of future Housing Benefit returns to meet certification deadlines.	<b>1</b>	Complete Arrangements worked effectively in 2013/14	Agreed – this action is complete.
2	Carry out a rolling review of claimant assessments for rent allowance that include LHA to confirm accuracy of rates used. For future assessments, strengthen checks on LHA rates to confirm their accuracy.	<b>2</b>	Recommendation implemented  Testing in 2013/14 identified a significant reduction in error rate and a very low extrapolation error.	Agreed – this action is complete.
3	<b>Capital receipts pooling claim</b> Resolve uncertainty reported in our 2012/13 qualification letter re the basis for the calculation of capital allowances available to the Council .	2	Resolved	Agreed – this action is complete.



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

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 Sue Sunderland, who is the engagement leader to the Authority (telephone 0115 945 4490, e-mail [sue.sunderland@kpmg.co.uk](mailto:sue.sunderland@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](mailto: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 Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 444 8330.