

AUDIT COMMITTEE REPORT

13 DECEMBER 2012

**CERTIFICATION OF GRANTS AND
RETURNS ANNUAL REPORT 2011/12
Report of the External Auditor, KPMG.**



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Certification of grants and returns 2011/12

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Sheffield City Council

November 2012



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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 we certified: <ul style="list-style-type: none"> – 5 grants and returns with a total value of £481m, excluding one Single Programme (RG33) claim. 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for five grants and returns (including the RG33 claim), but qualifications were necessary for one claim (housing benefits).</p> <ul style="list-style-type: none"> ■ We issued a qualification letter on the Council’s housing benefits claim to report, as required, on very minor differences on in-year reconciliation cells, and on a number of low-value overpayments caused by incorrectly calculated child tax credit income and the use of incorrect rents for the calculation of rent allowances; and ■ This compares to four out of 15 claims and returns being qualified last year (2010/11). 	<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 our certification work this year.</p> <ul style="list-style-type: none"> ■ A £71,000 adjustment was made to the housing benefits claim and a £9,000 adjustment was made to the pooling of housing capital receipts claim. This compares to adjustments of over £800,000 made to 2010/11 claims and returns, which included a £748,000 adjustment to the pooling of housing capital receipts claim. 	<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 our certification work, with fewer qualifications and amendments required than for 2010/11.</p>	<p>-</p>
<p>Fees</p>	<p>Our overall fee for the certification of grants and returns has been contained within the original estimate. The Audit Commission has reduced the numbers of claims subject to certification arrangements over the past few years, and this has reduced the fees payable for this work.</p>	<p>Page 5</p>

Overall, we certified 5 grants and returns:

- 4 were unqualified with no amendment;
- 1 was unqualified but required some amendment to the final figures; and
- 1 required a qualification to our audit certificate. Detailed comments are provided overleaf.

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

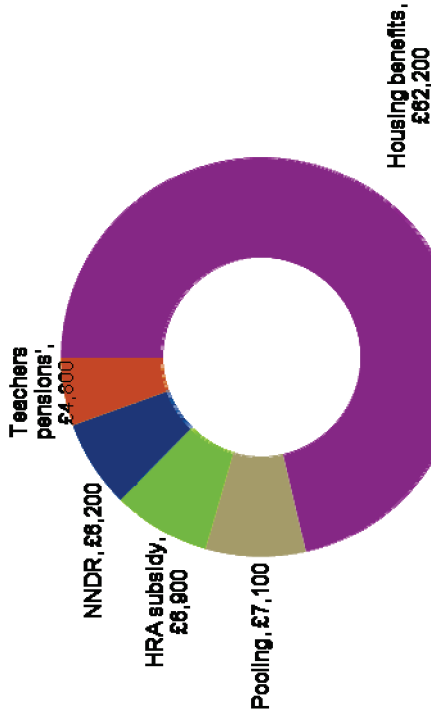
Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
1				
2				
	1	0	2	5

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 benefits (amount claimed £227m)</p> <ul style="list-style-type: none"> ■ We issued a qualification letter to report, as required, on very minor differences on in-year reconciliation cells, and on a number of low-value overpayments caused by incorrectly calculated child tax credit income and the use of incorrect rents for the calculation of rent allowances; ■ In addition the claim form was amended to correct minor errors we detected in regulated tenancies, protected groups and benefits payable to prisoners. ■ Errors in regulated tenancy cases have been detected in previous years, and we have made a recommendation below. The other areas were new in 2011/12. 	<p>£71,000 (increase in the amount claimed from Central Govt)</p>
2	<p>Pooling of housing capital receipts (total receipts £7.1m)</p> <ul style="list-style-type: none"> ■ A minor correction was made. ■ Arrangements for preparing this claim had improved from 2010/11. 	<p>£9,000 (reduction in pooling payment by Sheffield)</p>

Our 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 benefits	62,200	49,200
Pooling of housing capital receipts	7,100	6,700
HRA Subsidy	6,900	7,400
National non-domestic rates	6,200	3,600
Teachers' pensions	4,800	3,500
Single programme (RG33)	2,000	25,800
Other claims ceasing in 2010/11	0	14,300
Total fee	89,200	110,500

Our initial estimated fee for certifying 2011/12 grants and returns was £98,000. The actual fee charged was lower than that estimate, due to a reduced number of claims requiring certification.

The fee for housing benefits increased due to additional testing to gain assurance that errors detected in previous year claims were not re-occurring in 2011/12, and due to a change in grade mix between the two years. For both the NNDR and Teachers' pensions claims, full testing of the claims was required in 2011/12 (referred to as Part A and B testing) under the three year cyclical programme, as reduced (Part A only) testing was carried out in 2009/10 and 2010/11.

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.

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>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Housing benefits Unregulated tenancies Not all regulated tenancy cases were correctly identified on the benefits system.	Incorrect calculation of benefits payable	1 The Authority should monitor regulated tenancy cases to prevent errors in identifying them.	2	Agreed - the Authority will monitor regulated tenancies cases to ensure correct identification on the Academy (benefits) system.	Financial Services Manager 31 March 2013
Protected Groups Errors were made in identifying protected groups.	Incorrect calculation of benefits payable	2 The Authority should ensure that Protected Groups cases are correctly classified in order to maximise the subsidy that can be claimed.	3	Agreed - the Authority will run a report from the system to identify relevant cases prior to completion of the 2012-13 claim.	Financial Services Manager 30 April 2013
CTB payments for prisoners Errors were made in calculations	Incorrect calculation of benefits payable	3 The Authority should ensure that CTB overpayments for HM Prisoners are correctly classified.	3	Agreed - the Authority will complete a quality control check of cases in 2012/13 between November 2012 & year end.	Financial Services Manager 30 April 2013

We made four recommendations in our 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 November 2012	Management comments
Housing benefits				
1	The Authority will continue to monitor regulated tenancies cases to ensure they are correctly identified on Academy.	2	Audit work on the 2011-12 claim again identified errors in the classification of regulated tenancies. A £63,400 amendment was made to the 2011/12 benefits claim form to correct the extrapolated effect of these errors.	Work was done to amend the 1430 claims in this cell at the end of 2008/2009 and the beginning of 2009/2010, but a small number of these claims have not been corrected. All newly created claims for regulated tenancy cases this year will be checked before 30 th April 2013.



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