

**To the Chair and Members of the
AUDIT COMMITTEE**

CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2012/13

EXECUTIVE SUMMARY

1. This report brings KPMG's report 'Certification of Claims and Returns - Annual Report 2012/13' to the attention of Members of the Council's Audit Committee.
2. The document formally sets out KPMG's certification arrangements, the Council's responsibilities in this area and matters arising from the audit of claims for this period.

RECOMMENDATIONS

3. It is recommended that Members of the Audit Committee consider the report, note its findings and support the actions taken by officers in response.

BACKGROUND

4. Under section 28 of the Audit Commission Act 1998, KPMG make arrangements for certifying claims and returns in respect of grants or subsidies paid by the Government to local authorities.

MATTERS ARISING

5. Members should note that through close liaison with KPMG, efforts have been made to improve the preparation of grant claims, taking improvement opportunities highlighted by KPMG into account. This is done to minimise the external audit work required to certify the claims and minimise the respective audit fees.
6. The main area of improvement remains the independent review of claims after compilation and before submission to the auditor.
7. Processes will be enhanced to ensure that claims and returns comply with conditions set by the grant paying body and that the claims and returns are fully completed and accurate. The recommendations within the attached report detail these arrangements.

	2009/10	2010/11	2011/12	2012/13
Number of claims and returns certified	16	12	6	5
Total value of claims and returns certified	£225m	£225m	£218m	£219m
Number of claims and returns which were issued a qualification letter	8 (50%)	7 (58%)	2 (33%)	2 (40%)
Total cost of certification work	£140,833	£122,548	£66,054	£53,422
Reduction in audit fee (year on year)		£18,285 (13%)	£56,494 (46%)	£12,632 (19%)

OPTIONS CONSIDERED AND REASON FOR RECOMMENDED OPTION

8. Not relevant to this report.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

9. Not relevant to this report.

RISKS AND ASSUMPTIONS

10. Failure to address issues reported by the auditor could lead to a lower standard of financial control and accountability, potential claw-back of grant and higher external audit fees.

LEGAL IMPLICATIONS

11. The Council must comply with the requirements for audit relating to the submission of grants claims.

FINANCIAL IMPLICATIONS

12. The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. As a result, KPMG set an indicative fee for the Council of £40,300 for the 2012/13 financial year.

13. Based on the actual work carried out, the actual fee charged was £13,122 higher than the indicative fee. The reason for the increase was that additional testing was required on a number of claims. This was predominantly due to the additional work which was required on the Housing Benefits claim because the Council introduced a new benefits system partway through the financial year resulting in the qualification and significant amendment of the claim.

CONSULTATION

14. Not relevant to this report.

BACKGROUND PAPERS

15. None

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