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Certification of grants and returns 2012/13

Telford & Wrekin Council

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<p>Introduction and background</p>	<p>This report summarises the results of work on the certification of the Council's 2012/13 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2012/13 we certified: <ul style="list-style-type: none"> – one grant with a total value of £86.2m; and – two returns with a total value of £75.8m. 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for the grant and one return, but a qualification was necessary for the second return.</p> <ul style="list-style-type: none"> ■ We identified a number of inaccuracies in the information reported on the Teachers' Pension return. It was possible for the Council to correct some of these inaccuracies (see below) but there remained unresolved inaccuracies around the salary and contributions reported against each of the contribution rate bands applicable to the Local Government Pension Scheme. These errors arose due to the format of the system reports differing from the new reporting requirements of the scheme. ■ We had issued no qualified opinions in the previous year. 	<p>Page 3</p>
<p>Audit adjustments</p>	<p>A number of adjustments were necessary to one of the Council's grants and returns.</p> <ul style="list-style-type: none"> ■ A number of small value adjustments were required in relation to the Teachers' Pension return in order to ensure that (with the exception of the issue referred to above) the values reported agreed to the year-end payroll reports. This required amendments to the total contributory salary (+£2,503), the employer contributions (-£420) and the employee contributions (+£420). There was no impact upon the total value of the return. ■ This is consistent with the prior year where the only amendments required as a result of our certification were also to the Teachers' Pension return. 	<p>Page 3</p>
<p>The Council's arrangements</p>	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in specific areas.</p> <ul style="list-style-type: none"> ■ The Council needs to address the issues identified in relation to the Teachers' Pension return so as to ensure that accurate information is reported on the 2013/14 return. 	<p>Page 5</p>
<p>Fees</p>	<p>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Council of £16,850. Our actual fee for the certification of grants and returns was lower at £16,399.</p> <ul style="list-style-type: none"> ■ This represents a reduction of 53% from the fees charged in relation to our certification work for 2011/12. This is in part a result of the Audit Commission's move to a fixed fee regime but also reflects the general reduction in the fees we charge as your external auditors. ■ The fee charged in relation to individual grants and returns has resulted in minor variances. 	<p>Page 4</p>

Overall, we certified three grants and returns:

- two were unqualified with no amendment; and
- one required both adjustment and a qualification to our audit certificate.

We have summarised the key issues behind each of the adjustments or qualifications required.

We set out below a summary of the key outcomes from our certification work on the Council's 2012/13 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.

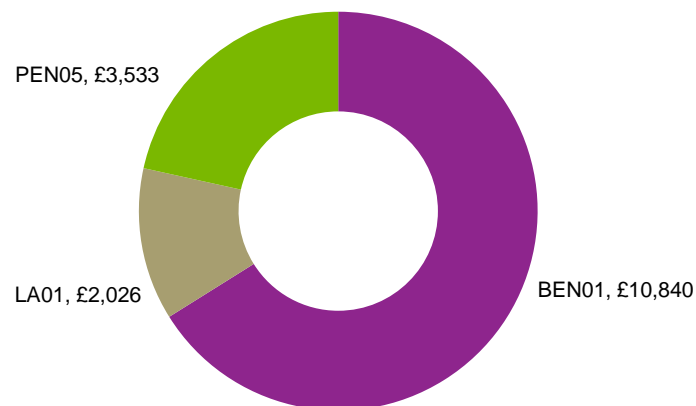
	Comments below	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefit					
National Non Domestic Rates return					
Teachers' Pensions return	1				
		1	-	2	2

Ref	Summary observations	Amendment
1	<p>Teacher's Pension return</p> <ul style="list-style-type: none"> ■ There were differences between the values entered on the return and those on the year-end payroll reports. The correction of these variances resulted in amendments to the total contributory salary (+£2,503), the employer contributions (-£420) and the employee contributions (+£420). There was no impact upon the total value of contributions paid over or on the overall year-end balance. ■ There were further differences in relation to the analysis of salary and contributions between the various contribution rates applicable to the pension scheme (ranging from 6.4% to 8.8% of an employee's salary). This was a new reporting requirement introduced for 2012/13 and the data was being taken from a separate payroll report which was found to include a number of errors across the bands. ■ Neither of these issues were identified during our 2011/12 certification work where the adjustments required related to the classification of Additional Pension Payments and Additional Contributions. 	No impact upon total return value.

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

There were, however, small variances in fees relating to individual grants which has resulted in an overall reduction in the fee charged.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	10,840	23,351
LA01 – National Non Domestic Rates return	2,026	5,507
PEN05 – Teachers’ Pensions return	3,533	6,142
Total fee	16,399	35,000

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £16,850. Based on the actual work we carried out the actual fee we charged was lower than the indicative fee. There were small variances in the fees charged on individual grants:

- additional work being required to address errors in the Teachers’ Pension return that required adjustments and a qualification to our audit certificate; and
- we were able to place reliance upon the control environment operating over the National Non Domestic Rates return, thereby reducing the amount of detailed testing required.

We have made one recommendation which, if implemented, should assist the Council to minimise certification fees in the future. Details are provided on the following page.

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>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Teachers' Pension Return					
<p>Banding Reconciliations</p> <p>The Council is required to provide information relating to the value of contributory salaries and contributions paid for each band of the pension scheme.</p> <p>The way in which the Council's systems operate at present results in inaccuracies in relation to these figures where staff move between bandings during the course of the year.</p>	<p>This issue resulted in the qualification of the 2012/13 return as it was not possible to confirm that the figures had been accurately recorded. Without appropriate resolution, future returns are also likely to be qualified.</p> <p>It is important to note that we did not identify any errors in relation to the overall value of the contributions paid over by the Council.</p>	<p>1 The Council should revise the format of its system reports in order to ensure that they are aligned with the requirements of the return's reporting requirements.</p> <p>In the interim, the Council should develop a temporary process which manually corrects the information reported by the payroll system. This process will need to result in a clearly documented audit trail supporting all adjustments made.</p>	<p>2</p>	<p>The EOYC in respect of 2012/13 is fully in balance in respect of the total contributions matching the amount paid over and the correct contributions have been collected. The total contributions held at individual employee level are also correct. However, due to how our system was set up during 2012/13, whilst contributions have been calculated at the correct percentage, they have not all been recorded against the correct tier. This situation will have arisen when a retrospective adjustment has been made to a period where the tier differed from that currently in place.</p> <p>To rectify this situation in the long term, our system has been reviewed and developments are currently underway to ensure the contributions are calculated and recorded against the correct band. Once complete the process will be run retrospectively in respect of the current year to highlight any issues still remaining and these will be rectified before year end.</p> <p>In the short term details have been manually adjusted to ensure they are identified against the correct bands.</p>	<p>Employment Services & Purchase Ledger Manager</p> <p>31/03/14</p>



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