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# KPMG Annual Report on grants and returns work 2014/15

North West Leicestershire District Council

March 2016

APPENDIX B

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in connection with this  
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<b>Introduction and background</b>	<p><b>This report summarises the results of work we have carried out on the Council's 2014/15 grant claims and returns.</b></p> <p><b>This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2014/15 is:</b></p> <ul style="list-style-type: none"> <li>■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council's 2014/15 Housing Benefit Subsidy claim. This had a value of £19 million.</li> <li>■ Under separate assurance engagements we certified 2 claims/returns as listed below: <ul style="list-style-type: none"> <li>■ Pooling of Housing Capital Receipts with the value of £1.2m.</li> <li>■ HCA Decent Homes Backlog Grant with the value of £7.3m.</li> </ul> </li> </ul>	
<b>Certification results</b>	<p><b>Our work on the Council's Housing Benefit Subsidy claim was subject to a qualification letter.</b></p> <ul style="list-style-type: none"> <li>■ A qualification letter was required, due to a number of issues including: <ul style="list-style-type: none"> <li>■ Inclusion of incorrect earnings and self-employed earnings in the benefit entitlement calculations;</li> <li>■ Incorrect calculation of rent cost; and</li> <li>■ Incorrect application of LHA rate for a number of cases due to benefit software issue.</li> <li>■ Omission of 14% under occupancy rate from claimant's rent costs.</li> </ul> </li> <li>■ This result is in line with those of 2013/14 where the Council's Housing Benefit Subsidy claim was qualified.</li> </ul> <p><b>Our work on the other grant assurance engagements resulted in the following reports:</b></p> <ul style="list-style-type: none"> <li>■ Pooling of Housing Capital Receipts Assurance Report; and.</li> <li>■ HCA Decent Homes Backlog Grant factual finding Report.</li> </ul>	<b>Page 5</b>
<b>Audit adjustments</b>	<p><b>Two adjustments were necessary to two of the Council's grants and returns as a result of our work this year.</b></p> <ul style="list-style-type: none"> <li>■ Our certification work on Housing Subsidy Benefit claim resulted in a small amendment of £29 due to the correction of errors relating to the assessment of Rent Allowance and Rent Rebates modified scheme cases and Non-Housing Revenue Account figure. This compares to adjustment of £12 in 2013/14.</li> <li>■ Our work on Pooling of Housing Capital Receipts resulted in minor adjustments to the return due to rounding of figures, but had a nil impact on the total value of the return. No adjustments were necessary to this return in 2013/14.</li> </ul>	<b>Page 5</b>

Fees	<p><b>The indicative fee for our work on the Council's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £16,270. The actual fee for this work was £20,245.</b></p> <ul style="list-style-type: none"> <li>■ The actual fee of £20,245 was higher than the indicative fee due to the additional testing completed as a result of the errors discovered.</li> <li>■ The fee variation request of £3,975 is currently with the Public Sector Audit Appointments for approval so the fee is still an estimate rather than an agreed final fee.</li> </ul> <p><b>Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were:</b></p> <ul style="list-style-type: none"> <li>■ £3,000 for Pooling of Housing Capital Receipts return.</li> <li>■ £4,600 for HCA Decent Homes Backlog grant.</li> </ul> <p>Fees above are shown net of VAT.</p>	Page 6
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## Summary of reporting outcomes




**Overall, we carried out work on 3 grants and returns:**

- **1 was unqualified with no amendment;**
- **1 was unqualified but required some minor amendment to the final figures; and**
- **1 required a qualification to our audit certificate and some minor amendment to the final figures.**

**Detailed comments are provided overleaf.**

Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 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 or assurance report.

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	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments arrangements</b>					
■ Housing Benefit Subsidy	1				
<b>Other assurance engagements</b>					
■ Pooling of Housing Capital Receipts	2				
■ HCA Decent Homes Backlog grant.	3				
		1	0	2	2

## Summary of certification work outcomes

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><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>A qualification letter was required, due to a number of issues including: <ul style="list-style-type: none"> <li>Rent Allowance <ul style="list-style-type: none"> <li>Inclusion of incorrect earnings and self-employed earnings in the benefit entitlement calculations;</li> <li>Incorrect calculation of rent cost; and</li> <li>Incorrect application of LHA rate for a number of cases due to benefit software issue.</li> </ul> </li> <li>Rent Rebate <ul style="list-style-type: none"> <li>Omission of 14% under occupancy rate from claimant's rent costs.</li> </ul> </li> </ul> <p>This qualification letter trigger's the Department for Work and Pensions to recover overpaid subsidy to the Council. This result is in line with those of 2013/14 where the Council's Housing Benefit Subsidy claim was qualified.</p> <ul style="list-style-type: none"> <li>Our certification work on Housing Subsidy Benefit claim resulted in a small amendment of £29 due to the correction of errors relating to: <ul style="list-style-type: none"> <li>Rent Allowance and Rent Rebates - Incorrect assessment of modified scheme cases after 100% testing was completed by the Council.</li> <li>Non HRA Rent Rebates – difference in figure between the claim and subsidy report.</li> </ul> <p>This compares to adjustment of £12 in 2013/14.</p> </li> </ul> </li></ul>	+£29
2	<p><b>Pooling of Housing Capital Receipts</b></p> <ul style="list-style-type: none"> <li>Our work on the Pooling of Housing Capital Receipts found the Quarterly Attributable Debt cells on the return were incorrectly rounded to the nearest pound. As a result adjustments were required to these cells to show the actual figures. These adjustments had a nil impact on the total value of the return.</li> </ul> <p>No adjustments were necessary to this return in 2013/14.</p>	£0

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £27,845

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	20,245	12,170
Pooling of Housing Capital Receipts	3,000	271
HCA Decent Homes Backlog grant	4,600	4,600
<b>Total fee</b>	<b>27,845</b>	<b>17,041</b>

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £16,270. Our actual fee of £20,245 was higher than the indicative fee, and this compares to the 2013/14 fee for this claim of £12,170. The fee variation request of £3,975 is currently with PSAA for approval, and so the fee is still an estimate rather than an agreed final fee.

### Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2014/15 were more than those in 2013/14. The reason for the increase is due to Pooling of Housing Capital Receipts return no longer falling under the PSAA regime.

We have given each recommendation a risk rating and agreed what action management will need to take.

### Priority rating for recommendations

<p><b>1</b> 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><b>2</b> 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><b>3</b> 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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Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Theme heading</b>				
<p><b>Incorrect claimant's data</b></p> <p>The inclusion of incorrect claimant's data included in the benefit entitlement calculations. This is a recurring issue from 2013/14 relating to Self employed earnings.</p>	<p>This leads to errors in the Housing Benefit Subsidy that is claimed by the Council, which can be clawed back by Department for Work and Pensions.</p>	<p><b>1</b></p>	<p>Review and improve the process for the inclusion of claimant's data in the benefit entitlement calculations to reduce the level of errors being repeated in subsequent years.</p>	<p><b>2</b></p>





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