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

Oadby and Wigston Borough Council

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	Page
■ Headlines	2
■ Summary of reporting outcomes	3
■ Summary of certification work outcomes	4
■ Fees	5
■ Recommendations	6

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Introduction and background	<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 £9.3 million.</li> <li>■ Under separate assurance engagements we certified 1 return as listed below: <ul style="list-style-type: none"> <li>– Pooling of Housing Capital Receipts return. This had a value of £312,025.</li> </ul> </li> </ul>	
Certification results	<p><b>Our certificate on the Council's Housing Benefit Subsidy claim was unqualified.</b></p> <p><b>Our work on the other grant assurance engagements resulted in the following reports:</b></p> <ul style="list-style-type: none"> <li>■ An unqualified assurance statement, drawing attention to a lack of clarity regarding the ability to use retained capital receipts to finance new housing schemes, specifically where HCA funding has also been received for these. Your officers are to seek further clarification from CLG regarding this issue.</li> </ul>	Pages 3 – 4
Audit adjustments	<p><b>Adjustments were necessary to the Council's Housing Benefit Subsidy claim.</b></p> <ul style="list-style-type: none"> <li>■ The Housing Benefits Subsidy receivable was reduced by £183 as a result of errors identified in the reconciliation process. This compares to adjustments made last year of +£167.</li> </ul>	Pages 3 – 4
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 £9,120. The actual fee for this work was £10,079. The fee increase resulted from additional testing required and is still subject to determination by PSAA.</b></p> <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>■ Certification of Pooling of Housing Capital Receipts return, £3,500.</li> </ul>	Page 5

## Summary of reporting outcomes

Overall, we carried out work on 2 grants and returns:



- 1 required no qualification to our audit certificate but an amendment to the claim; and

- 1 was unqualified

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 return	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	<b>Housing Benefit Subsidy Claim</b> Six sets of additional testing were undertaken: <ul style="list-style-type: none"> <li>3 of these related to errors found in 2013/14, where additional testing was undertaken to establish whether these had recurred in 2014/15. Further errors were found in 2 of the additional sets of testing, and further testing will be undertaken on these next year.</li> <li>2 additional sets of testing related to errors found in the initial testing. These related to deductions from earned income, and to the calculation of non dependent earnings.</li> <li>1 additional set of testing related to a national issue with the Council's IT system, Academy. Your officers were able to demonstrate that this had been addressed throughout the year, and at year end there were only 3 cases which had not been corrected. Review of these found that in all cases subsidy had been correctly awarded.</li> </ul>	- £183
2	<b>Pooling of Housing Capital Receipts Return</b> <ul style="list-style-type: none"> <li>We drew CLG's attention to a lack of clarity regarding the ability to use retained capital receipts to finance new housing schemes, specifically where HCA funding has also been received for these. Your officers are to seek further clarification from CLG regarding this issue.</li> <li>We have made a recommendation regarding the processes adopted when considering the use of retained capital receipts.</li> </ul>	£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 £15,919.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	12,419	9,152
Pooling of Housing Capital Receipts (PSAA)	0	578
Pooling of Housing Capital Receipts (non PSAA)	3,500	0
<b>Total fee</b>	<b>15,919</b>	<b>9,730</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 £11,460. Our actual fee was higher than the indicative fee at £12,419, and this compares to the 2013/14 fee for this claim of £9,152. The increase in fee resulted from two sets of additional testing required, and increased time spent on reviewing and agreeing the reconciliations with the Benefits Manager.

The main reasons for the fee exceeding the original estimate were:

- Errors identified resulting in six sets of additional testing

The additional fee is still subject to final determination by PSAA.

### 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 as agreed with the Authority. In 2014/15 the Pooling of Housing Capital Receipts return fell outside of the PSAA grant regime, and fees were therefore agreed locally. £3,000 was the standard fee charged by KPMG for this work, but an additional £500 fee was agreed to reflect the additional work on the use of retained capital receipts.

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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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Pooling of Housing Capital Receipts</b>					
<p><b>Use of retained capital receipts</b></p> <p>Our review of a capital grant to a Housing Association which the Council wished to set against the retained capital receipts showed that Officers had not reviewed the scheme, or gained information from the Housing Association about the scheme.</p>	<p>Review found that the scheme did not meet the requirements of the agreement with the Department of Communities and Local Government for the use of retained capital receipts. Failure to ensure that all agreement conditions are met could result in the Council being unable to apply the retained receipts to eligible schemes within the required deadlines.</p>	<p><b>1</b></p> <p>Check that all the agreement requirements are met when considering whether to fund capital housing schemes (either in house or by an external provider), to ensure that the correct funding decisions are made.</p>	<p><b>2</b></p>	<p>In future an assessment of whether the scheme meets the required criteria will be carried out both prior to it being entered into as well as after completion</p>	<p>Interim Head of Community / Interim Accountancy Manager</p> <p>Immediately</p>



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