



# Annual Report on grants and returns 2015/16

**Oadby and Wigston Borough Council**

23 January 2017



# Contents

**The contacts at KPMG  
in connection with this  
report are:**

**Tony Crawley**  
**Director**

KPMG LLP (UK)

Tel: +44 (0)7966 184819  
tony.crawley@kpmg.co.uk

**Yola Geen**  
**Manager**

KPMG LLP (UK)

Tel: +44 (0)7785 590300  
yola.geen@kpmg.co.uk

**Sundeep Gill**  
**Manager**

KPMG LLP (UK)

Tel: +44 (0)7798 572337  
Sundeep.gill@kpmg.co.uk

**Page**

<b>Headlines</b>	<b>3</b>
<b>Summary of certification work outcomes</b>	<b>4</b>
<b>Fees</b>	<b>7</b>
<b>Recommendations</b>	<b>8</b>
<b>Prior year recommendations</b>	<b>9</b>

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

## Headlines

### Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

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 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2015/16 Housing Benefit Subsidy (benefits) claim. This had a value of £9.036 million.
- Under separate assurance engagements we certified one return as listed below.
  - Pooling of Housing Capital Receipts return (the pooling return). This had a value of £323,756.

### Certification and assurance results (Pages 3-6)

Our certification work on the benefits claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter.

Our work on the pooling return resulted in an unqualified assurance report.

Adjustments were necessary to both of the Council's grants and returns as a result of our certification work this year:

- A net reduction in subsidy receivable on the benefits claim of £5,062, compared to a £183 reduction in 2014/15; and
- An increase to the poolable amount on the pooling claim of £6,546 (no such issue identified in 2014/15)

Our work on the pooling return identified an apparent inconsistency between the records of the Council's housing stock in the different departments of the Council. While the specific test which prompted this discovery met the testing requirements of the Department of Communities and Local Government (DCLG), it has highlighted an issue that needs further investigation by the Council in order to ensure that any similar incorrect records are identified and updated.

### Recommendations (Pages 8 – 9)

We have made one recommendation to the Council from our work this year relating to inconsistencies in the Council's records of its housing stock and agreed an action plan with officers.

In addition there was one recommendation outstanding from the previous year's work on grants and returns. We found that the recommendation had not yet been fully implemented. More details is included on page 9 of this report.

### Fees (Page 7)

Our proposed fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was £7,560, which is more than the indicative fee set by PSAA. An additional fee of £696 has been proposed and agreed with the Interim Chief Finance Officer, but this is still subject to determination by PSAA.

Our fees for the capital receipts pooling claim were subject to agreement directly with the Council. The fee initially agreed for this work was £3,000, but an additional fee of £1,000 was agreed following our identification of errors and inconsistencies in your records. A total of £4,000 was therefore charged.

# Summary of reporting outcomes

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

- one was amended and required a qualification to our audit certificate; and
- one was unqualified but required some 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 2015/16 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 regime</b>					
— Housing Benefit Subsidy	1			x3	
<b>Other assurance engagements</b>					
— Capital Receipts Pooling return	2				
		1	0	2	1

# 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 benefits claim</b> <ul style="list-style-type: none"> <li>Testing identified an expenditure misclassification within the claim where a landlord had been incorrectly classified as a Registered Social Landlord (RSL) instead of a private landlord where a rent officer determination was required.</li> <li>Failure to classify claims correctly could result in loss of subsidy on amounts paid.</li> <li>This issue did not arise in previous years.</li> </ul>	- £5,702
2	<b>Housing benefits claim</b> <ul style="list-style-type: none"> <li>An overpayment of benefit was identified due to the incorrect calculation of child care costs. Extended testing of all relevant cases identified one further error which had no impact on the amount of benefit paid.</li> <li>Due to the relatively low level of error this had not impacted on subsidy claimed, however it is possible that such errors could have a subsidy impact in future years.</li> <li>This issue did not arise in previous years.</li> </ul>	- £59
3	<b>Housing benefits claim</b> <ul style="list-style-type: none"> <li>Testing identified one case where there had been a misclassification of benefit between payments below and above the rent cap. The amendment resulted in an increase in subsidy payable.</li> <li>Failure to correctly classify claims could result in loss of subsidy on amounts paid.</li> <li>This issue did not arise in previous years.</li> </ul>	+£637
4	<b>Housing benefits claim</b> <ul style="list-style-type: none"> <li>Our testing identified three instances of where errors had been made which had no impact on the amount of benefit payable or subsidy due, but which required reporting to DWP.</li> <li>Errors could result in either underpayment of benefit to claimants, or overclaim of subsidy from DWP.</li> <li>The instances identified had not occurred in prior years.</li> </ul>	£0

# Summary of certification work outcomes (cont)

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the page 4.

Ref	Summary observations	Amendment
5	<b>Pooling of Housing Capital Receipts return</b> <ul style="list-style-type: none"> <li>— The return required amendment to include the receipt of a repayment of discount from a sale made prior to 1 April 2012. There was some delay in the processing of this amendment requiring additional KPMG resource, contributing to the additional fee.</li> <li>— Errors such as this could result in additional interest charges being levied by the Department of Communities and Local Government, due to late payment of pooled receipts .</li> <li>— This error did not occur in the previous year.</li> </ul>	+ £6,546

## Fees

**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 2015/16 was £11,560.**

### **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 2015/16 of £6,864. Our actual fee was higher than the indicative fee, and this compares to the 2014/15 fee for this claim of £9,314. The additional fee is due to the additional errors identified this year and is still subject to 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 2015/16 were more than those in 2014/15. The reason for the increase was a delay in the provision of some information to allow us to conclude our work, and the identification and investigation of the differences in housing stock records.

### **Breakdown of fees for grants and returns work**


Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	7,560	9,314
Pooling of Housing Capital Receipts return	4,000	3,500
<b>Total fee</b>	<b>11,560</b>	<b>12,814</b>

## Recommendations

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

### Priority rating for recommendations

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.	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.	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.
---	--	---	---	---	---

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Pooling of Housing Capital Receipts return</b>					
<b>Records of housing stock</b> We identified an inconsistency in the age of a dwelling between the Finance department records of the housing stock included in the fixed asset register and the quarterly valuation worksheets, and the records held by the Housing department.	The age (and type) of dwellings determine the amount of attributable debt held by the authority. There may be an impact if the incorrect figures have been used.	1	Undertake a full reconciliation of the information contained in two sets of records to ensure that the records correctly reflect the age of the Council's housing stock.	 <b>Agreed.</b>	Chief Finance Officer  30 June 2017



# Prior year recommendations

We made one recommendation in our 2014/15 Certification of Grants and Returns Annual Report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation	Priority	Status as at November 2016	Management comments
<b>Pooling of Housing Capital Receipts return</b>			
<b>1 Use of retained capital receipts</b> 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.	2	Our 2015/16 review found that while expenditure on housing schemes had been correctly included within the return, there was limited information on the working paper file provided to show that all of the agreement requirements had been met. This resulted in some delay in completing our work as additional evidence needed to be provided, incurring additional fees.	<b>Agreed</b> The recommendation will be implemented fully. Chief Finance Officer 30 June 2017



[kpmg.com/uk](https://kpmg.com/uk)



© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.