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KPMG Annual Report on grants and returns work 2014/15

South Holland District Council

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|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <p>Introduction and background</p> | <p>This report summarises the results of work we have carried out on the Council’s 2014/15 grant claims and returns.</p> <p>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:</p> <ul style="list-style-type: none"> ■ 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 £19.6 million. ■ Under separate assurance engagements we also certified the Housing Pooling return. | <p>-</p> |
| <p>Certification results</p> | <p>Our work on the Council’s Housing Benefit Subsidy claim was subject to a qualification letter.</p> <ul style="list-style-type: none"> ■ As a result of issues identified in the previous year and, as a result of our initial work, it was necessary to perform: <ul style="list-style-type: none"> ○ 100% testing in relation to six specific issues where we were able to effect claim adjustments; and ○ 40+ testing in relation to six further issues from which we could not reach a conclusion as to whether the claim was fairly stated. ■ This is an increase in the amount of work from the previous year. <p>Our work on the Council’s Housing Pooling Return resulted in the following reports:</p> <ul style="list-style-type: none"> ■ An unqualified assurance report was issued in respect of this return, although issues were noted in respect of: <ul style="list-style-type: none"> ○ Previously reportable capital allowances being incorrectly recorded as relating to expenditure incurred in buying a relevant interest in a dwelling; and ○ Capital receipts in respect of mortgage repayments had not been recorded in the appropriate quarter to which they related. ■ Cell amendments were agreed with the Council for these errors with neither having an effect on the amount of poolable receipts by the Council. | <p>Pages 3 – 5</p> |
| <p>Audit adjustments</p> | <p>Adjustments were necessary to both of the Council’s grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ Our work on the Housing Benefit Subsidy claim resulted in a reduction of subsidy claimed of £2,192; and ■ Whilst our work on the Housing Pooling return didn’t affect the amount of poolable receipts, amendments of £5,771,998 and £440 to differing cells were required. ■ The findings in respect of the Housing Benefit Subsidy claim are similar to those of the previous year whilst those in respect of the Housing Pooling return are new. | <p>Pages 3 – 5</p> |
| <p>Fees</p> | <p>The indicative fee for our work on the Council’s 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £8,120. The actual fee for this work was £9,390 which is still subject to determination by PSAA.</p> <p>Our fees for the other ‘assurance’ engagements were subject to agreement directly with the Council and were £3,000.</p> | <p>Page 6</p> |

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

- one was unqualified but required some amendment to the final figures; and
- one required a qualification to our audit certificate.

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 |
|------------------------------------------------------|-------------------|-----------|------------------------|------------------|-------------|
| Public Sector Audit Appointments arrangements | | | | | |
| ■ Housing Benefit Subsidy | 1 | | | | |
| Other assurance engagements | | | | | |
| ■ Housing Pooling Return | 2 | | | | |

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>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> ■ Due to issues identified in the previous year and, as a result of our initial work it was necessary to perform 100% testing in relation to the following items/issues: <ul style="list-style-type: none"> ○ Investigation of the impact of a system issue relating to the application of LHA rates where the LHA dates were being incorrectly overwritten. This resulted in an amendment to the claim being necessary, with a reduction in subsidy due of £232; ○ All non-HRA rent rebate cases due to errors relating to rent liability, earnings and scheme type classification. This resulted in a number of small amendments to the claim being necessary, with a reduction in subsidy due of £7; ○ All cases with a change in pensions to confirm the correctness of the effective date resulting in both under and over paid benefit for rent rebates. This resulted in a number of small amendments to the claim being necessary, with a reduction in subsidy due of £233; ○ All cases with a service charge deduction within a rent liability to confirm the correctness of the eligible rent resulting in both under and over paid benefit and errors with no subsidy impact for rent allowances. This resulted in a number of small amendments to the claim being necessary, with a reduction in subsidy due of £1,720; ○ All cases where an over-lapping tenancy existed to confirm the accuracy of the scheme type resulting in no additional identified errors for rent allowances; and ○ All cases where an extended benefit period existed to confirm the correctness of the eligible rent resulting in no additional identified errors for rent allowances. | <p>- £2,192</p> |

Summary of certification work outcomes (continued.)

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>Housing Benefit Subsidy (continued.)</p> <ul style="list-style-type: none"> ■ We had to issue a qualification letter due to various issues we identified as a result of our testing from which we could not reach a conclusion as to whether the claim was fairly stated. These issues included: <ul style="list-style-type: none"> ○ Errors relating to the incorrect processing of weekly earnings resulting in both underpaid and misstated benefit for rent rebates; ○ Errors relating to the incorrect processing of pension savings credits resulting in underpaid benefit for rent rebates; ○ Errors relating to the incorrect application of the appropriate Local Housing Association (LHA) rate resulting in both underpaid benefit and errors with no subsidy impact for rent allowances; ○ Errors relating to the incorrect processing of weekly earnings resulting in overpaid benefit for rent allowances; ○ Errors relating to the incorrect termination date of a claim resulting in both under and over paid benefit for rent allowance; and ○ Errors relating to the misclassification of overpayments within the claim form. | |
| 2 | <p>Housing Pooling Return</p> <ul style="list-style-type: none"> ■ Our work in relation to the certification of this return identified the following issues: <ul style="list-style-type: none"> ○ £5,771,998 of previously reportable capital allowances had incorrectly been recorded as relating to expenditure incurred in buying a relevant interest in a dwelling; and ○ Capital receipts in respect of mortgage repayments had not been recorded in the appropriate quarter to which they related. ■ Neither of these errors had an effect on the amount of poolable receipts by the Council. ■ In respect of these issues we were able to agree cell amendments with the Council to enable us to issue an unqualified assurance report for this return. | £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 £12,390.

Breakdown of fees for grants and returns work

| Breakdown of fee by grant/return | | |
|----------------------------------|---------------|--------------|
| | 2014/15 (£) | 2013/14 (£) |
| Housing Benefit Subsidy claim | 9,390 | 9,391 |
| Housing Pooling Return | 3,000 | 218 |
| Total fee | 12,390 | 9,609 |

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 £8,120. Our actual fee was £1,270 higher than the indicative fee, and this compares to the 2013/14 fee for this claim of £9,391. The final fee 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 2014/15 higher than in 2013/14. The reason for the increase was that an extended, mandatory testing programme was introduced in 2014/15 as a requirement for this assurance work being undertaken.



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