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

North East Derbyshire District Council

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<p><b>Introduction and background</b></p>	<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 £23,680,477.</li> <li>■ Under separate assurance engagements we certified two returns as listed below. <ul style="list-style-type: none"> <li>– Decent Homes Backlog Funding Agreement. This had a value of £16,781,000.</li> <li>– Pooling of Housing Capital Receipts. This had a value of £2,178,551.</li> </ul> </li> </ul>	<p>-</p>
<p><b>Certification results</b></p>	<p><b>Our work on the Council’s Housing Benefit Subsidy claim was subject to a qualification letter. The reasons for the qualification were as follows:</b></p> <ul style="list-style-type: none"> <li>■ Benefits software reconciliation; and</li> <li>■ Incorrect earned income figures used in the calculation of benefit.</li> </ul> <p><b>Our work on the other grant assurance engagements did not result in a qualification or amendment to the return.</b></p>	<p><b>Page 4</b></p>
<p><b>Audit adjustments</b></p>	<p><b>Adjustments were necessary to the Council’s Housing Benefit Subsidy Claim as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>■ Non HRA rent rebate expenditure was reduced by £835 to correct incorrect classification of non HRA cases; and</li> <li>■ Rent allowance overpayments were increased by £93 to reflect overstated expenditure in respect incorrect earnings figures used in the calculation of benefit.</li> </ul>	<p>-</p>
<p><b>Fees</b></p>	<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 £7,620. The actual proposed fee for this work is £8,960 which 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 £2,100 in respect of Decent Homes Backlog Funding Agreement and £3,000 in respect of Pooling of Housing Capital Receipts.</b></p>	<p><b>Page 3</b></p>

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 proposed fees for carrying out all our work on grants/returns in 2014/15 is £14,060, this is still subject to determination by Public Sector Audit Appointments.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	8,960	10,793
Decent Homes Backlog Funding	2,100	-
Pooling of Housing Capital Receipts	3,000	299
<b>Total fee</b>	<b>14,060</b>	<b>11,092</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 £7,620. Our actual proposed fee is higher than the indicative fee, and this compares to the 2013/14 fee for this claim of £10,793. The additional charge of £1,340 is still subject to determination by PSAA and is to reflect the additional work undertaken in respect of failures identified from our initial sample testing.

### 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 that these returns are no longer certified under PSAA arrangements.

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>Housing Benefit Subsidy Claim</b>					
<p><b>Benefits Software</b></p> <p>The Council failed to fully reconcile benefit paid to benefit granted in accordance with the software provider's instructions.</p> <p>This issue has been identified in previous years.</p>	<p>Failure to fully reconcile benefit paid to benefit granted could result in errors in the subsidy claim form which go undetected.</p>	<p><b>1</b></p>	<p>Full reconciliation of future returns to system reports prior to submission for certification.</p>	<p><b>2</b></p>	
<p><b>Earned Income</b></p> <p>Our sample testing identified that the Council had used incorrect earned income figures in the calculation of benefits.</p>	<p>The use of incorrect earned income figures resulted in the wrong amount of benefits being paid to claimants. If benefit is overpaid, this results in a necessity for the claimant to repay overpaid benefit back to the Council. It also reduces the amount of subsidy which the Council receives. If benefit is underpaid then the claimant is not receiving the full amount of benefit to which they are entitled. The Council can not claim subsidy on benefit which has not been paid.</p>	<p><b>2</b></p>	<p>Training should be provided to all benefit assessors to ensure that they know how to calculate earned income correctly.</p>	<p><b>2</b></p>	



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