



*cutting through complexity*

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

Blackpool Council

February 2016

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

**Trevor Rees**

*Engagement Lead*

Tel: 0161 246 4063

trevor.rees@kpmg.co.uk

**Iain Leviston**

*Manager*

Tel: 0161 246 4403

iain.leviston@kpmg.co.uk

|  | <b>Page</b> |
|--|-------------|
| ■ Headlines                              | 2           |
| ■ Summary of certification work outcomes | 3           |
| ■ Fees                                   | 5           |

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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, 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 Trevor Rees, 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, by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk) After this, 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.

|   |   |                      |
|---|---|----------------------|
| <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 £88.7 million.</li> <li>■ Under separate assurance engagements we certified x claims/returns as listed below.             <ul style="list-style-type: none"> <li>– DCLG Pooling of Housing Capital Receipts</li> <li>– Teachers' Pensions EOYCa return - £18.4 million</li> <li>– Decent Homes Backlog Funding Agreement – £3.5 million</li> <li>– HCA Compliance audit – review of two grant funded development schemes</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.</b></p> <ul style="list-style-type: none"> <li>■ Additional testing had to be performed on the claim because of the incorrect classification of overpayments that had occurred in previous years. Testing of forty cases identified one case where the overpayment had been correctly classified. As it would have been inappropriate to estimate an adjustment to the claim based on this single finding, it was agreed that that claim should remain unaltered, and the error identified reported in a qualification letter.</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>■ Three of the certificates were issued without amendment or qualification; and</li> <li>■ The HCA Compliance Audit received a qualification on three grounds; such qualifications are not unusual when completing this work.</li> </ul>               | <p><b>Page 3</b></p> |
| <p><b>Audit adjustments</b></p>           | <p><b>No adjustments were necessary to the Council's grants and returns as a result of our certification work this year.</b></p>  | <p><b>Page 4</b></p> |
| <p><b>Fees</b></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 £18,210. The actual fee for this work was £18,210. The fee is as indicated as the anticipated additional testing, required due to previous errors, was performed but no work over and above this was required.</p> <p>Our fees for the other 'assurance' engagements were subject to agreement directly with the Council totalled £8,850.</p>  | <p><b>Page 5</b></p> |

## Summary of reporting outcomes

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

- 3 were unqualified with no amendment;
- 2 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 |
|--|-------------------|-----------|------------------------|------------------|-------------|
| <b>Public Sector Audit Appointments arrangements</b> |                   |           |                        |                  |             |
| ■ Housing Benefit Subsidy                            | 1                 | ●         |                        |                  |             |
| <b>Other assurance engagements</b>                   |                   |           |                        |                  |             |
| ■ Pooling of Housing Capital Receipts                |                   | ●         |                        |                  | ●           |
| ■ Teachers' Pensions Return                          |                   | ●         |                        |                  | ●           |
| ■ Decent Homes Backlog                               |                   | ●         |                        |                  | ●           |
| ■ HCA Compliance audit                               | 2                 | ●         |                        |                  |             |
|  |                   | 2         | 0                      | 0                | 3           |

## 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 claim</b></p> <ul style="list-style-type: none"> <li>■ Prior year certification work identified instances where overpayments were incorrectly classified as ‘claimant error, eligible overpayments’. These cases should have been classified as ‘local authority delay or overpayment error’. In 2013/14, four such cases were reported, and while no amendment was made to the claim, the claim was qualified as a result.</li> <li>■ Over the last couple of years, the Council has undertaken a number of actions to reduce the number and scale of errors within the claim. This has included: <ul style="list-style-type: none"> <li>— increased staff training;</li> <li>— greater support for staff undertaking work, including an allocated, more experienced colleague, to help answer subsidy queries as they arise; and</li> <li>— more regular and more detailed review of claims processed by staff.</li> </ul> </li> <li>■ In 2014/15, the errors identified in 2013/14 and previous years required us to undertake testing of an additional 40 cases which contained ‘local authority delay or overpayment’ errors. Testing identified only one case where the overpayment error was identified this year, a significant improvement on prior years.</li> </ul> | <p><b>£nil</b></p> |
| 2   | <p><b>HCA Compliance audit</b></p> <ul style="list-style-type: none"> <li>■ Our compliance work requires development schemes selected by the HCA to be assessed against a standard checklist.</li> <li>■ On both of the schemes selected by the HCA: <ul style="list-style-type: none"> <li>■ We were unable to confirm that the planning conditions had been met because the schemes had yet to be completed;</li> <li>■ The Council was unable to locate an action plan to demonstrate how it would meet the requirements of the 2012 Construction Commitments; and</li> <li>■ While sustainability assessments have been conducted, the certificates had yet to be issued.</li> </ul> </li> <li>■ Issues such as these are regularly identified during these compliance checks, and do not have a financial impact on the rate of Affordable Homes Grant the Council can claim.</li> </ul>  | <p><b>£nil</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 fees we charged for carrying out all our work on grants/returns in 2014/15 was £27,060.

### Breakdown of fees for grants and returns work

| Breakdown of fee by grant/return    |               |               |
|-------------------------------------|---------------|---------------|
|                                     | 2014/15 (£)   | 2013/14 (£)   |
| Housing Benefit Subsidy claim       | 18,210        | 13,483        |
| Pooling of Housing Capital Receipts | 2,750         | 620           |
| Teachers' Pensions Return           | 3,000         | 3,000         |
| Decent Homes Backlog                | 1,600         | 1,600         |
| HCA Compliance audit                | 1,500         | -             |
| <b>Total fee</b>                    | <b>27,060</b> | <b>18,703</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 £18,210. Our actual fee was the same as the indicative fee, and this compares to the 2013/14 fee for this claim of £13,483. This higher indicative fee reflected the additional 40+ testing required as a result of errors identified in prior periods.

### 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 in line with those in 2013/14, except for:

- The Pooling of Housing Capital Receipts return fell outside the central approach for the first time in 2014/15. Our reflects the additional administrative and work requirements required to certify this grant outside of the former Audit Commission arrangements.
- The Homes and Communities Agency Compliance audit – this is performed on completed social housing developments subsidised by the HCA's affordable homes grant. A sample of development schemes are picked annually, based on completion dates. Two schemes were selected in 2014/15, compared to none in 2013/14.



*cutting through complexity*

© 2016 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, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.