



*cutting through complexity*

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

London Borough of Ealing

December 2015

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

**Neil Thomas**

*Partner*

*KPMG LLP (UK)*

Tel: 020 7311 1379

[Neil.Thomas@kpmg.co.uk](mailto:Neil.Thomas@kpmg.co.uk)

**Steve Lucas**

*Senior Manager*

*KPMG LLP (UK)*

Tel: 020 7311 2184

[stephen.lucas@kpmg.co.uk](mailto:stephen.lucas@kpmg.co.uk)

	<b>Page</b>
■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	6
■ Recommendations	7
■ Appendix A: LA error and administrative delay overpayments as a percentage of expenditure	8

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 Neil Thomas 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.

<b>Introduction and background</b>	<p>This report summarises the results of work we have carried out on the Authority'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 returns under separate engagement terms. The work completed in 2014/15 is:</p> <ul style="list-style-type: none"> <li>■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Authority's 2014/15 Housing Benefit Subsidy claim. The amount claimed by the Authority was £271 million.</li> <li>■ Under separate assurance engagements we were requested to certify the following two returns. <ul style="list-style-type: none"> <li>– Teachers' Pension Return (amount payable £22 million);</li> <li>– Pooling of Housing Capital Receipts Return (amount payable £1 million).</li> </ul> </li> </ul>	<p>-</p>
<b>Certification results</b>	<p>Our work on the Authority's Housing Benefit Subsidy claim was subject to a qualification letter. The qualification related to similar issues reported in 2013/14 with the main errors identified relating to overpayments being incorrectly split between LA error and administrative delay overpayments and claimant error.</p> <p>Our work on the other grant assurance engagements resulted in unqualified assurance reports.</p>	<p>Pages 3 – 5</p>
<b>Audit adjustments</b>	<p>Adjustments were made to both the Teachers' Pension Return and Pooling of Housing Capital Receipts Return. There was no impact on the amount payable on the Teachers' Pension Return but the amount payable to the Department in respect of the Pooling of Housing Capital Receipts increased by £19,984.. There were no adjustments to the Housing Benefit Subsidy claim.</p>	<p>Pages 3 – 5</p>
<b>Fees</b>	<p>The indicative fee for our work on the Authority's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £29,440. The actual fee for this work was £29,440.</p> <p>Our fees for the other 'assurance' engagements were subject to agreement directly with the Authority and were £6,000 in total.</p>	<p>Page 6</p>

## Summary of reporting outcomes

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

- One was unqualified with no amendment; and
- Two were unqualified but required some amendment to the submitted figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Authority'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 Authority'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 Authority 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>					
■ Teachers' Pension Return	2				
■ Pooling of Housing Capital Receipts Return*	3				
		1	-	2	2

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the Housing Benefit Subsidy claim .

Ref	Summary observations	Amendment to amount claimed/ payable
1	<p><b>Housing Benefit Subsidy claim</b></p> <p>Our initial testing of 60 cases identified three errors, two relating to the incorrect weekly rent being used to calculate housing benefit and one where the amount paid was allocated incorrectly between the cells on the claim form for above and below the weekly rent limit. The errors relating to the incorrect weekly rent being used did not impact on the claim as they were underpayments to the claimants. This is similar to the findings in 2013/14 where there were three initial errors on the 60 cases, two relating to the split between cells on the claim form for above and below the weekly limit, the other for an incorrect calculations of an overpayment.</p> <p>Further testing on these areas, and areas where errors were found in the previous year, identified a further ten errors from our sample of 280 cases. Eight of these errors involved the calculation split between LA error and administrative delay overpayments and eligible overpayments or calculation of overpayments. As a result of our testing we qualified the Housing Benefit Subsidy claim. We extrapolated errors on three of the cells within the claim (2013/14 four) and the total extrapolated error reported in our qualification letter was approximately £330,000 across the claim. (The total value of the claim is £271 million.) As a result of this, if the department decided to use the extrapolations, the amount claimed by the Authority would increase by approximately £200,000 due to the way LA error and administrative delay subsidy grant works.</p> <p>It is noted though that if the Department used the extrapolations, the Authority would be close to their threshold limit for LA error and administrative delay. Exceeding the threshold can have a major impact on the amount of housing benefit paid. In Appendix A we compare the Authority's LA error and administrative delay overpayment against expenditure for each type of benefit against other London boroughs draft submitted figures. This shows Ealing is slightly above the median for all three types of housing benefit.</p>	Nil

## Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications on the Returns we issued our assurance report on.

Ref	Summary observations	Amendment to amount claimed/ payable
2	<p><b>Teachers' Pension Return</b></p> <p>The return was submitted to KPMG by the deadline. There was one error where there was a misclassification between "Additional Pension Payments" and "Additional Contributions" of £22,910 which a detailed analytical review with the previous year would have identified. Our testing did not identify any other errors and all other required supporting documentation and explanations were supplied.</p>	Nil
3	<p><b>Pooling of Housing Capital Receipts</b></p> <p>The return was submitted to KPMG by the deadline. While we have been unable to issue our assurance report due to a technical problem on the Department's system, Logosnet, the return will be unqualified.</p> <p>The working papers provided to support the detailed sale disposals of Council dwellings were clear and agreed to the return. For costs relating to buy backs, there were minor differences between that claimed and the general ledger with no working paper to support the differences and the return was adjusted by £3,064 following officers revisiting the costs on the general ledger.</p> <p>The Authority is also required to calculate the attributable debt to properties sold using architecture type, number of bedrooms, age of properties using the DCLG database. While there were totals available for each category of property type, there was no working paper to demonstrate the link between the individual properties sold and which category they were placed in. This meant that officers had to recreate a working paper in order that we could perform our tests on the figures which was time consuming for them. The revised working paper, which we completed our testing on, had one property in a different category to the original submission.</p>	+£19,984 payable to the Department

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on returns are agreed directly with the Authority.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £35,440

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	29,440	36,428
Teachers' Pension Return	3,000	3,000
Pooling of Housing Capital Receipts*	3,000	960
<b>Total fee</b>	<b>35,440</b>	<b>40,388</b>

\* The audit fee for this return was in 2013/14 set by Public Sector Audit Appointments and we had to comply with a different work programme than that which was required by the Department this year. This year the work programme included detailed testing not completed in previous years.

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Authority's Housing Benefit Subsidy claim in 2014/15 of £29,440. Our actual fee was the same as the indicative fee set,

### Grants subject to other assurance engagements

The fees for our assurance work on other returns are agreed directly with the Authority. The Authority provided the required working papers and addressed our queries that meant no additional fees were required.

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>
--	---	---

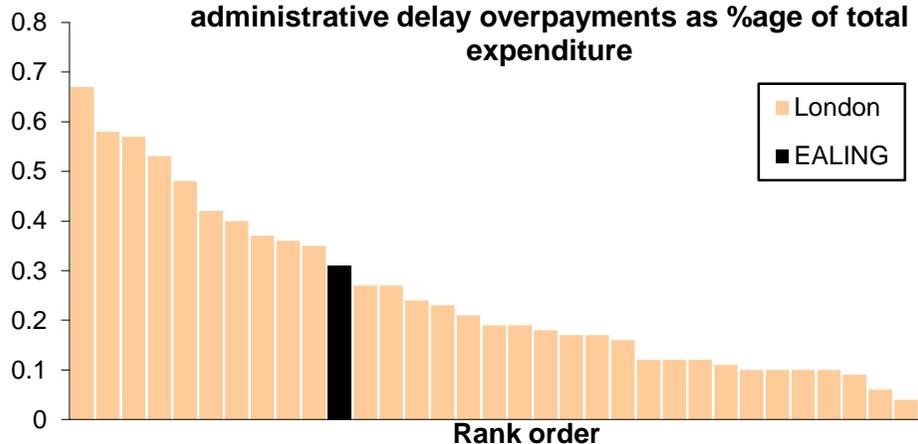
Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Financial systems</b>					
<p><b>Housing Benefit</b></p> <p>Errors were identified in the checking of housing benefits with the most notable relating to misclassification of overpayments between LA error and administrative delay overpayments and claimant error. It is also noted that LA error and administrative delay overpayments as a percentage of expenditure is slightly higher than the median for London boroughs.</p>	<p>Errors in the calculation of housing benefits can lead to claimants being under or overpaid, with the Authority at risk of not being able to fully recover overpayments. If LA error and administrative delay overpayments exceed the threshold set for the LA error and administrative delay subsidy grant, this can have a major financial impact on the Authority.</p>	<p><b>1</b></p> <p>Revisit the control and review arrangements for classification of overpayments.</p> <p>Monitor reasons for LA error and administrative delay overpayments to identify if there are themes occurring and whether additional training may be required in these areas.</p>	<p><b>2</b></p>	<p>The amount of LA error is monitored weekly and additional risk assessments are carried out by the Management Assurance team to ensure that any issues or training needs are identified early and that LA error is minimised where possible. Additional instructions regarding LA error were issued to the Housing Benefit (HB) staff and these were followed up by briefing sessions carried out by Senior HB caseworkers.</p>	<p>Housing Benefit officers</p> <p>Ongoing</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date	
<b>Analytical reviews</b>						
<p><b>Teachers' Pension Return</b></p> <p>An analytical review of the return compared to the previous year and follow up of major movements would have identified the return was incorrect.</p>	<p>While overall the amount payment to the Teachers' Pension Agency was correct, the split between types of pension deducted and reported to the Agency was incorrect.</p>	2	<p>Compare all grant claims and returns with the previous year and ensure any major movements are fully understood and valid.</p>	2	<p>Existing analytical review procedures will be enhanced to provide more robust checks.</p>	<p>Officer – Head of Payroll            Target date – April 2016</p>
<b>Financial systems</b>						
<p><b>Pooling of Housing Capital Receipts</b></p> <p>Working papers to support all entries in the claim were not retained meaning officers needed to recreate papers and explore possible reasons for differences</p>	<p>This is inefficient from an officers time and could impact on the return submitted where the original figure cannot be reconciled.</p>	3	<p>The reviewing officer should ensure all supporting working papers are adequately stored.</p>	2	<p>A checklist requiring authorisation by the reviewing officer will be produced to ensure all the working papers relating to the claim are stored in one file location at the commencement of the audit.</p>	<p>Officer - Senior Finance Business Advisor Housing &amp; Regeneration Finance            Target date – April 2016</p>

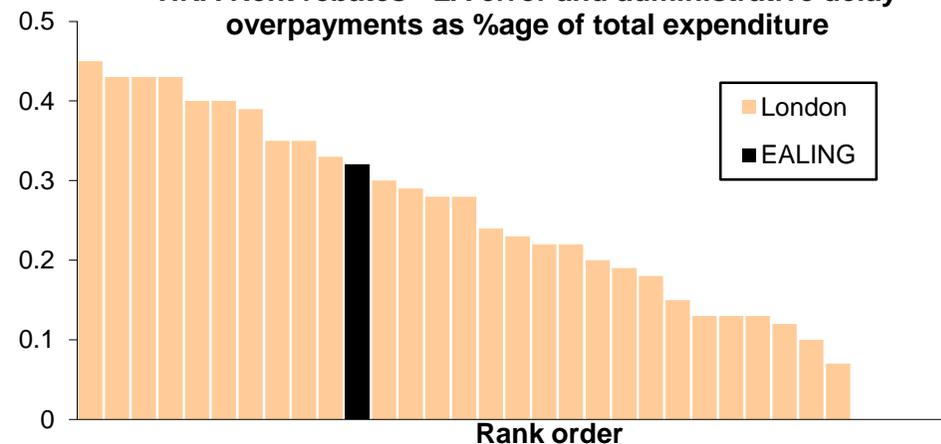
## LA error and administrative delay overpayments as a percentage of expenditure

For each of Non HRA Rent Rebates, Rent Rebates and Rent Allowances, the percentage of LA error and administrative delay as a percentage of expenditure for Ealing is slightly above the median.

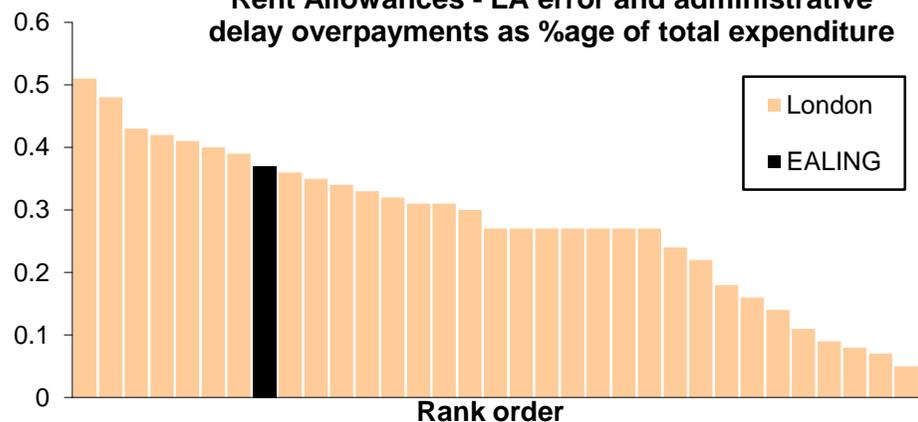
**Non HRA Rent rebates - LA error and administrative delay overpayments as %age of total expenditure**



**HRA Rent rebates - LA error and administrative delay overpayments as %age of total expenditure**



**Rent Allowances - LA error and administrative delay overpayments as %age of total expenditure**





*cutting through complexity*

© 2015 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.