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Private & confidential

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Our ref KPMG/LCC/BEN01

11 January 2019

Dear Alison

Leicester City Council - Certification of claims and returns - annual report 2017/18

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2017/18.

In 2017/18 we carried out certification work on only one claim, the Housing Benefit Subsidy claim. The certified value of the claim was £122 million, and we completed our work and certified the claim on 6 December 2018.

Matters arising

Our certification work on Housing Subsidy Benefit 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.

Our certification work identified a number of errors in the original claim. Where the error can be quantified by testing 100% of the population of potentially affected cases the claim can be amended. Where the population is too large for 100% testing to be practical or as specified by the housing benefit guidance, we need to write a qualification letter to explain what we found. The errors we found and the way they were dealt with are set out below:

Amendments to claim

The claim was amended to correct the below errors following 100% testing of these cases, undertaken by your officers:

- Non HRA Rent Rebates: Inclusion of incorrect assessment of tax credits in the benefit entitlement calculations;
- Non HRA Rent Rebates: Inclusion of incorrect assessment of earnings in the benefit entitlement calculations;
- Non HRA Rent Rebates: Inclusion of incorrect assessment of Jobseekers Allowance (Income based) in the benefit entitlement calculations;
- Non HRA Rent Rebates: Misclassification of overpayments; and
- Rent Allowance and Rent Rebates Modified Scheme: Inclusion of incorrect assessment of modified scheme cases.

The overall impact to the claim was a £2,917 decrease in subsidy claimed.

Qualification Letter

A qualification letter was required, due to a number of issues, as set out below:

- Benefit Software: Benefit granted did not reconcile to benefit paid by £2k;
- Technical Overpayments: Overpayments of £5k had been omitted from the subsidy claim as a result of the benefit software incorrectly applying technical overpayment classification to rent allowance cases;
- Non HRA Rent Rebates: Inclusion of incorrect assessment of rent free weeks in the benefit entitlement calculations;
- Non HRA Rent Rebates: Misclassification of expenditure between cells;
- Non HRA Rent Rebates, Rent Allowance and Rent Rebates: Inclusion of incorrect assessment of tax credits in the benefit entitlement calculations;
- Non HRA Rent Rebates, Rent Allowance and Rent Rebates: Inclusion of incorrect assessment of earnings in the benefit entitlement calculations;

- Rent Allowance and Rent Rebates: Inclusion of incorrect assessment of pension income in the benefit entitlement calculations;
- Rent Allowance and Rent Rebates: Inclusion of incorrect assessment of child care costs in the benefit entitlement calculations;
- Rent Allowance and Rent Rebates Modified scheme: Inclusion of incorrect assessment of modified scheme cases;
- Rent Allowance: Inclusion of incorrect assessment of disability premium in the benefit entitlement calculations;
- Rent Rebates: Inclusion of incorrect assessment of self-employed earnings in the benefit entitlement calculations; and
- Rent Rebates: Inclusion of incorrect assessment of severe disability premium in the benefit entitlement calculations.

Recommendation

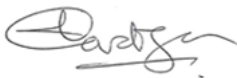
We have made one recommendation to the Authority to improve its claims completion process, which is included in Appendix 1.

In our 2016/17 Certification Annual Report we raised one recommendation relating to taking prompt action to address matters in our 2016/17 qualification letter. It remains outstanding at January 2019 and has been included in our 2017/18 recommendations. There are no further matters to report to you regarding our certification work.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2017/18 of £59,237. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £52,785.

Yours sincerely



Andrew Cardoza
Director, KPMG LLP

Appendix 1 – 2017/18 Certification of Claims and Returns Action Plan

Priority rating for recommendations		
<p>❶ 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>❷ 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>❸ 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>

Number	Issue	Recommendation	Priority
1	The inclusion of incorrect claimant data included in the benefit entitlement calculations.	Review and improve the process for the inclusion of claimant data in the benefit entitlement calculations to reduce the level of errors being repeated in subsequent years.	❷

This report is addressed to the Council and has been prepared for the sole use of the Council. 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).

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 Andrew Cardoza, 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. 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, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.