

# Certification Report

Leicester City Council  
Year ending 31 March 2019

25 March 2020



# Introduction



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This paper provides the Audit and Risk Committee with details of the outcome of the certification work that we have undertaken at Leicester City Council in respect of the year ending 31 March 2019.



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# Housing Benefit Assurance Process (HBAP): Housing Benefit Certification 2018/19

## Background

The HBAP Module 1 framework sets out the Department for Work and Pensions' (DWP) requirements for the reporting accountant to provide a report of factual findings on the completion of the housing benefit subsidy assurance process. This work must be delivered to the DWP no later than 30 November.

## Leicester City Council – 2018/19

In 2018/19 we were unable to meet the 30 November deadline and therefore the Council secured an initial extension with DWP to 13 December which was subsequently extended further to 24 December.

We identified a number of issues from our certification work and, as a result of the errors identified, the claim was qualified, and we reported our findings to the DWP in our Reporting Accountant's Report dated 18 December 2019.

Year	Value	Amended?	Amendment	Qualified?
2017-18*	£122,212,458	No	N/A	Yes
2018-19	£112,320,335	No	N/A	Yes

\* work undertaken by predecessor auditors

The reason the deadline was not met was due to the volume of work needing to be undertaken, including additional work by the Authority to drill down on some of those errors identified, to perform 100% testing of those population in order to determine absolute, rather than extrapolated errors.

The Council completes the workbooks for us to review and re-perform work on cases on a sample basis. The quality of evidence within the workbooks was generally good and we look forward to providing another workshop to officers in due course as part of our planning for the 2019/20 HBAP work, to further streamline the process where we can.

We acknowledge that due to the nature of the welfare system this is inherently a complex and multifaceted area, and because of the number of errors identified historically in the claim, there is automatically a high level of testing that needs to be undertaken (to see if the errors have been addressed), before taking into account any new issues identified in the current year.

Overall, the consequences for failure to meet the deadline is withheld subsidy, initially at 5% rising to 10% the more time that elapses: this has a cash flow impact on the Council. There was no withheld subsidy in respect of the 2018/19 claim, due to the Council's correspondence with the DWP and the permission that was granted to extend the deadline.

## Issues identified this year

Similar to prior years, a lengthy Reporting Accountant's report was produced, with all content and errors agreed with the Authority prior to submission. We are happy to provide a copy of this letter separately should members wish, but in summary, findings were as follows:

### Initial Testing

#### **Non HRA Rent Rebate**

- No fails identified

#### **HRA rent rebate**

The following errors were noted:

- 1 case whereby a claimant's non-dependent deduction had been incorrectly calculated resulting in an overpayment of benefit
- 1 case whereby service charges within a claimant's rent liability had been incorrectly calculated resulting in an underpayment of benefit
- 1 case whereby tax credits within a claimant's entitlement had been incorrectly calculated resulting in an overpayment of benefit
- 1 case whereby earnings within a claimant's entitlement had been incorrectly calculated resulting in no impact to benefit
- 1 case whereby the pension within a claimant's entitlement had been incorrectly calculated resulting in no impact to benefit
- 1 case whereby the carer's premium within a claimant's entitlement had been incorrectly calculated resulting in no impact to benefit.

#### **Rent Allowance**

The following errors were noted:

- 2 cases whereby tax credits within a claimant's entitlement had been incorrectly calculated resulting in an underpayment of benefit.
- 1 case whereby applied earnings disregard had been incorrectly calculated within a claimant's entitlement resulting in an overpayment of benefit
- 2 cases whereby earnings within a claimant's entitlement had been incorrectly calculated resulting in an overpayment of benefit.

#### **"CAKE" (cumulative audit knowledge and experience) testing**

In line with the requirements of HBAP modules we undertook CAKE testing based upon the preceding Qualification Letter. This involved the authority completed testing of the sub populations in relation to 22 different error types. We reformed a sample of the Authority's testing and concurred with the results. On that basis, 2 of the 22 CAKE tests returned no errors and are

# Housing Benefit Assurance Process (HBAP): Housing Benefit Certification 2018/19

considered closed. These will not be rolled forward to feature as CAKE testing in respect of the 2019/20 subsidy claim. There were errors identified in relation to the remaining 20 error types and these will be rolled forward to 2019/20 CAKE testing.

## Fee variation

The fee proposal for certification of the housing benefit subsidy claim is based on an anticipated level of work and is adjusted accordingly through a variation based on the actual output. A fee was proposed and agreed of £53,000.

The mix of work undertaken (100% testing compared to 40+ workbook testing) was different to what was originally anticipated but we agreed with the Authority that in the round the overall level of work was relatively consistent with what was anticipated and therefore no additional fee has been proposed.

## Going forward

We will continue to support the Council in improving the HBAP process which stems from pragmatic and effective forward planning. We have already held a planning meeting for the 2019/20 claim and are in the process of agreeing the testing approach with the Council's QA officers within its Revenue and Benefits team.

# Other certification work undertaken

## Teachers Pension Return

### Background

The Council is required to submit an EOYC (end of year certificate) to Teachers Pensions which sets out Teachers' Pensions contributions split between employer and teacher across the various tiers.

The EOYC is an annual return completed by employers showing the level of teachers' pension contributions that should have been deducted and paid to Teachers' Pensions within the financial year i.e. the totals for the payroll and employer adjustments such as deductions at the incorrect tier which they identify during the financial year. The EOYC should cover all teachers who should be contributing to the TPS and for whom the employer is responsible.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by Teachers Pensions. On conclusion of our work we are required to submit the Council's final EOYC along with our signed Reporting accountant's report directly to Teachers Pensions by the deadline of 29 November.

### 2018/19 findings

2018/19 was the first year we had been invited to undertake this work. From the 20 tests we are required to undertake, we identified one exception: for a sample of teachers we were required to, amongst other things, check the status of the teacher to the employer portal. In respect of 1 teacher, from a sample of 20, the teacher had opted out of the scheme on the portal whilst at a previous employer, but had paid contributions since being employed at the Council, despite still showing as having "opted out" on the portal. This retrospective correction to the portal was made during our testing. In our Reporting Accountant's report the explanation given by the authority for this exception, was that the correct information had been supplied to Teachers Pensions, but for an unknown reason this had not updated the employer to show they had not opted into the scheme.

This exception did not impact the level of contributions paid, owed or due.

Our Reporting Accountant's report was submitted on 21 November ahead of the deadline.

### Fee

A fee was agreed for this work of £5,500. This is disclosed to you separately in our Audit Plan along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

## Pooling of Housing Capital Receipts

### Background

The Ministry of Housing, Communities and Local Government (MHCLG) administers the pooling of housing capital receipts scheme.

Use of receipts arising from the disposal of housing assets (i.e. generally assets held under Part II of the Housing Act 1985 and for which account is made in the Housing Revenue Account (HRA)) is governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) ("the regulations"). The regulations require that, in short:

- a. receipts arising from Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover some of the debt on the properties sold, but a proportion of the remainder must be surrendered to central Government;
- b. receipts arising from all other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying down of housing debt (each of which is defined in the regulations).

The 2018-2019 pooling return is an annual return generated by local authorities showing the breakdown of the various elements of the housing capital receipts.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by MHCLG. On conclusion of our work we are required to submit the Council's final pooling return, supported by four debt supportable workbooks (one for each quarter) along with our signed Reporting accountant's report directly to MHCLG by 7 February 2020.

### 2018/19 findings

From the 23 tests undertaken no exceptions were identified.

Our Reporting Accountant's report was submitted on 5 February ahead of the deadline.

### Fee

A fee was agreed for this work of £5,075. This is disclosed to you separately in our Audit Plan along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.