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Certification of grants and returns 2012/13

Leicester City Council

February 2014



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<p>Introduction and background</p>	<p>This report summarises the results of work on the certification of the Council's 2012/13 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2012/13 we certified: <ul style="list-style-type: none"> – 1 claim (housing and council tax benefits) with a total value of £170m; and – 3 returns (pooling of housing capital receipts; national non-domestic rates; teachers pensions) with a total value of £125m. 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for two grants and returns. Qualifications were necessary in two cases.</p> <ul style="list-style-type: none"> ■ A qualification was required in relation to the certification of the Housing and Council Tax Benefits Scheme. Benefit was overpaid, and subsidy overclaimed, due to a number of recurring errors, mainly the inclusion of incorrect earnings and tax credits in benefit entitlement calculations. In accordance with the certification instruction a qualification was mandated as a result of identifying errors of this nature. ■ The pooling of housing capital receipts return was qualified as you continue to use an incorrect threshold for pooling. This is not a significant matter; nevertheless a qualification was mandated. <p>These results are in line with the results for 2011/12 where similar errors were identified.</p>	<p>Page 4</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to three of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ Minor amendments were made to the housing and council tax benefits claim, and to the teachers pensions return. This is in line with the results for 2011/12 where minor amendments were required. ■ Significant amendments were required to the Pooling of Housing Capital Receipts return. 	<p>Pages 5 – 6</p>
<p>The Council's arrangements</p>	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work.</p> <ul style="list-style-type: none"> ■ grants and returns were submitted on a timely basis and had been correctly identified as requiring certification in line with the Certification Instruction Index issued by the Audit Commission. ■ Much of the testing on non-housing benefit claims and returns has been undertaken by your Internal Audit section. We have re-performed elements of their work. The work was to a good standard and the conclusions well evidenced, allowing us to place reliance on their work. ■ The records kept in relation to grants and returns were accurate and sufficient. Officers provided information to address the omissions in the pooling of Housing Capital Receipts return without undue problems. 	<p>-</p>

Fees	<p>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Council of £78,450. Our estimated fee for the certification of grants and returns was £83,534.</p> <ul style="list-style-type: none">■ We identified more errors in the Housing & Council Tax Benefits claim and under the Commission's HBCOUNT approach, we consequently carried out more detailed testing of benefit cases.■ Of the above fee £5,328 is still subject to confirmation by the Audit Commission, and consequently our fee information is presented as 'estimated' rather than final.	Page 7
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Overall, we certified four grants and returns:

- two were unqualified with no amendment or with a minor amendment; and
- two required a qualification to our audit certificate and also required some amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2012/13 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.

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 certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefits	1	●		●	
Pooling of Housing Capital Receipts	2	●	●		
National Non Domestic Rates return					●
Teachers' Pensions return				●	●

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>Housing & Council Tax Benefits</p> <p>The Council claims subsidy from central government in respect of benefits paid to claimants. Unlike the arrangements for other claims and returns, auditors are not allowed by DWP to reduce testing by relying on the control environment. We have qualified this claim for a number of years in succession. The complexity of the housing benefits regulations and the diverse claimant mix within Leicester City play a part in the number and types of errors found during audit testing. This underlines the importance of continued training for assessors so that they understand the subsidy implications of their actions, particularly when making adjustments to claimants' benefit.</p> <p>Testing involves a 'discovery sample' of 20 cases for each benefit type (total 80 cases), with further testing of each cell affected by errors found either in the current year's discovery testing or in previous years testing (due to the timing of testing, errors discovered in one year are likely to recur in the following year even if action is taken promptly). The total number of cases tested this year is 1,672 (201/12 1,826). We focussed on errors specific to each cell.</p> <p>We have identified a number of issues that have been reported for a number of years, including the following:</p> <ul style="list-style-type: none"> ▪ Misclassification of overpayments, in all benefit types; ▪ Insufficient evidence obtained to support claims resulting in uncertainty over elements of the claims including: <ul style="list-style-type: none"> ▪ Income; ▪ Rent; ▪ Non-dependents; and ▪ Pensions. ▪ Income being incorrectly calculated, particularly earnings and tax credits; and ▪ Changes in circumstances, such as rent increase, claimant starting work, or change in income being applied from the wrong date. <p>Most of the errors recur each year. The more these errors continue to be made, the more time your quality assurance officers are spending checking subsidy entitlement, which diverts them from their day to day job of checking benefit calculations and correcting errors. In the longer term, reducing errors should also help to reduce the amount of subsidy clawback.</p> <p>As last year, subsidy was overclaimed as the first week of 2013/14 HRA subsidy was incorrectly included in the 2012/13 claim. The amount was £991,088. Other small amendments as a result of our certification work has taken the net adjustment to £991,801.</p>	<p>- £991,801</p>

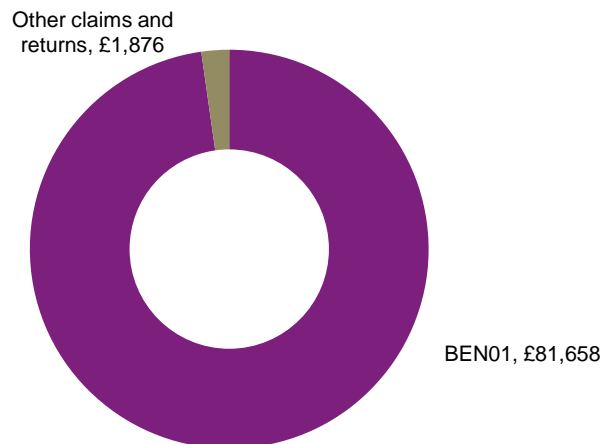
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Ref	Summary observations	Amendment
2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> A change to the regulations this year allows authorities to recycle non-Right To Buy capital receipts into their own affordable housing and regeneration projects rather than pool them. The format of the return was amended to reflect this change by including capital allowances (the authority's past or planned expenditure on such projects). The return presented for certification did not include any information relating to capital allowances. We agreed amendments with officers before certifying the return. 	<p>Capital allowances in excess of £180 million</p> <p>No impact on amount pooled.</p>

Our overall fee for the certification of grants and returns is higher than the original estimate.

The highly technical nature of the certification work on housing and council tax benefits, and the amount of testing involved, makes it difficult to predict the amount of work required.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£) estimated	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	81,658	153,328
CFB06 – Pooling of Housing Capital Receipts	942	434
LA01 – National Non Domestic Rates return	352	352
PEN05 – Teachers’ Pensions return	582	316
Other claims no longer required to be certified	0	3,328
Annual report	0	2,197
Total fee	83,534	159,955

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £78,450. Based on the actual work we carried out the actual fee we charged was higher than the indicative fee. The main reasons for the fee exceeding the indicative fee were:

- we identified more errors in the Housing & Council Tax Benefits claim and under the Commission’s HBCOUNT approach, we consequently carried out more detailed testing of benefit cases;
- additional work being required to address errors in the Pooling of Housing Capital Receipts return.

Of the above fee £5,328 is still subject to confirmation by the Audit Commission, and consequently our fee information is presented as ‘estimated’ rather than final.

We were not required to certify the School Centred Initial Teacher Training return that was included in the indicative fee.

This year we have not charged a separate fee for producing this annual report.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.



Priority rating for recommendations

<p>1 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>2 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>3 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	Officer comments
Housing and council tax benefits				
<p>The approach to testing is mandated by the Audit Commission and DWP. This requires additional testing to be carried out where errors were discovered in prior years, on the basis that they may recur in the current year. Discovery tests are exposing fewer errors than before and it is a consequence of the volume of testing that errors are repeatedly found. Due to the number of errors discovered in previous years, the Council is locked in to testing a large volume of cases each year. Action is being taken to address the causes, for example through training of assessors, but officers cannot devote as much time as is required to putting things right. Action has been taken in response to recommendations made in prior years but requires a continuous commitment to training and quality to minimise the number of recurring errors. We acknowledge that the Quality Assurance team have been proactive in correcting the errors that they discover.</p>	<p>A high level of errors contributes to the amount of subsidy clawback each year. By taking action to eliminate errors, the Council could reduce the amount of subsidy clawed back.</p>	<p>No new issues have arisen this year. Recommendations in respect of prior year issues are set out on the next page of this report.</p>	<p>1</p>	<p>The QA Team, despite the continued high demand of resources being concentrated on the subsidy audit, have continued in their pro-active work on the current subsidy claim. This has been helped by obtaining more detailed drill down reports of potential error cases in the system using the information discovered from the audit checks. Therefore we can maximize the limited time we have to do proactive checks on the error cases that are found and which can be corrected before the current year subsidy claim is submitted. This should result in fewer errors overall in the submitted claim.</p>

Prior year recommendations

Last year we reported progress on four prior year recommendations that had not been fully actioned. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation	Priority	Status as at February 2014	Management comments
Housing and Council Tax Benefits			
1 Take prompt action to address matters in our housing benefits qualification letters, to reduce the level of errors being repeated in subsequent years.		Ongoing.	We have continued with prompt responses to any areas of error that we have found, as they have been discovered in the audit testing and even before being reported in the qualification letter. For example this year an issue of applying incorrect child care costs to claims resulted in immediate changes to current working practices and the introduction of a new document that claimants need to complete to ensure we have more accurate and up to date information on child care costs to ensure entitlement awarded is correct.
2 Resume regular reporting to the Audit & Risk Committee on progress being made in response to the review of the benefits service in August 2009.		This matter is still outstanding and is to be completed.	Although a number of measures have been put into place that have improved standards, a formal action plan has not been drawn up and is to be done this year. Reporting to the Audit & Risk Committee also still needs to be resumed.



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