



KPMG LLP
Infrastructure, Government & Healthcare
St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Tel +44 (0) 116 256 6064
Fax +44 (0) 115 935 3500
DX 728460 Nottingham 47

Alison Greenhill
Director of Finance
Leicester City Council
City Hall
115 Charles Street
Leicester, LE1 1FZ

Our ref LCC/2544066/grants

27 February 2015

Dear Alison

Certification of claims and returns – annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

Claim/return	Certified value (£)
BEN01 – Housing Benefit subsidy claim	139,172,604
CFB06 – Pooling of Housing Capital Receipts	6,926,042
Total	146,098,646

Summary

We certified:

- the Housing Benefit subsidy claim with amendment, and with a qualification letter.
- the Pooling of Housing Capital Receipts return without qualification or amendment.

Housing Benefit subsidy claim

For the first time in several years the claim met the certification deadline of 30 November. Minor amendments were made to the claim. A qualification letter was required, 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 letter was mandated as a result of identifying errors of this nature.

We did not identify any new significant issues in 2013/14. In Appendix 2 we repeat the same recommendations as contained in our 2012/13 certification of grants and returns report as they continue to apply.

The audit approach 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 into testing a large volume of cases each year. Action is being taken to address the causes, for example through training of assessors, but the Quality Assurance team 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 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.

Pooling of Housing Capital Receipts return

Testing was carried out by your Internal Audit section. We re-performed elements of their work and found this to be of a good standard, with conclusions well evidenced, allowing us to place reliance on their work.

Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £78,271. Our actual fee was the same as the indicative fee, and this compares to the 2012/13 fee for these claims of £82,600. The details are set out in the table below.

Claim	2013/14 Indicative fee (£)	2013/14 Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	78,007*	78,007	81,658
CFB06 – Pooling of Housing Capital Receipts	264	264	942**
Total	78,271	78,271	82,600

*The indicative fee is set by the Audit Commission and is reduced in 2013-14 as localisation of council tax benefit has meant that it is no longer part of the Housing Benefit subsidy claim.

**Significant amendments were made to the 2012/13 Pooling of Housing Capital Receipts Return.

Yours sincerely



John Cornett
Director

Appendix 1 – 2013/14 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	Management comments
Housing Benefits				
1	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.	No new issues have arisen this year. Recommendations in respect of prior year issues are set out in Appendix 2.	❷	It has been acknowledged by auditors that the discovery tests have not identified any new errors and the quantity of work required for the audit stems from DWP instruction on the repeated checking of previous errors found. We are continuing to be proactive in our actions to address repeated errors by working on reports identifying potential errors as well as instructions and Top Tip notes issued to operational staff with the aim to improve quality.

Appendix 2 – Follow up of 2012/13 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at January 2015	Management comments
Housing 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.	②	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.	②	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.



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. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett who is the engagement leader to the Authority (telephone 0116 256 6064, e-mail john.cornett@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.