



Annual Report on grants and returns 2015/16

Leicester City Council

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Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

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 grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £136.1 million
- Under separate assurance engagements we certified two claims/returns as listed below:
 - Teachers pensions (value £24.5 million); and
 - Pooling of housing capital receipts (value £9.7 million).

Certification and assurance results (Pages 3-5)

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 cases 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.

Following the completion of our work, 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 identified one new error category this year where benefit had been overpaid as a result of the Authority incorrectly treating non-dependents income and deductions.

Our work on the other grant assurance engagements resulted in a qualified report on the Teachers pensions return. No adjustments were necessary the pooling of housing capital receipts return.

Recommendations

We have not made any recommendations to the Council from our work this year.

Last year we made two recommendations on housing benefits. We are satisfied that appropriate action has been/is being taken by officers such that we do not need to repeat these recommendations.

Fees (Page 6)

Our fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was £59,237, which is more than the indicative fee set by PSAA due to additional testing carried out. The fee is still subject to determination by PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were higher than planned due to additional work required on both returns.

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications.

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <p>We issued a qualification letter and agreed minor amendments to the claim.</p> <p>The audit approach is mandated by PSAA and DWP. Testing involves a 'discovery sample' of 20 cases for each benefit type (total 60 cases), with further testing of each cell affected by errors found either in the current year's discovery testing or in previous years, on the basis that errors identified in the previous year may recur in the current year. 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.</p> <p>The complexity of the housing benefits regulations and diverse claimant mix within Leicester play a part in the number and types of errors found during testing.</p> <p>We have identified a number of issues that have been reported for a number of years, including:</p> <ul style="list-style-type: none"> - Misclassification of overpayments, in all benefit types; and - Incorrect inclusion of income, pensions and tax credits in benefit entitlement calculations. <p>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. This requires continuous commitment to training and quality to minimise the number of recurring errors. We acknowledge that the Quality Assurance team are proactive in correcting the errors that they discover.</p> <p>The Quality and Performance Manager, Revenues & Customer Support, presented a report to the Audit and Risk Committee at its meeting in August 2016. The report explained the subsidy audit process and its findings, and included the Benefits Team Improvement Action Plan to improve the accuracy of assessments and to subsequently reduce the clawback of monies against the general fund. A similar report will be brought to the Committee later in 2017.</p> <p>As a result of the actions being taken and reported to members, we have not made any separate recommendations.</p>	- £971

Summary of certification work outcomes (contd.)

This table summarises the key issues behind each of the adjustments or qualifications.

Ref	Summary observations	Amendment
2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> — We issue an unqualified assurance report. — No amendments were made to the return 	£0
3	<p>Teachers' Pensions</p> <ul style="list-style-type: none"> — The return was amended where entries had been made in the wrong period, but where the correct contribution tier had been used. These amendments (gross value £6.9k, net value £0) changed the entries on the face of the return but did not affect the overall total being reported. — We also reported further unadjusted errors: <ul style="list-style-type: none"> — The wrong rate was used for processing refunds on post change for three staff; — The wrong rate was used for employees' contributions for three staff; — Employer's contribution for one member of staff was understated. — The net impact of the above matters is an overpayment to Teachers' Pensions for 2015/16 of £538. We understand that the Authority has made adjustments to the December 2016 return for these matters. 	£0

Fees

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

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2015/16 was £70,437.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2015/16 of £58,505. Our proposed actual fee of £59,237 is higher than the indicative fee due to testing of an additional category of error identified this year, and this compares to the 2014/15 fee for this claim of £70,380. The fees vary considerably from year to year due to the historic basis (a two year cycle related to actual time spent in 2011/12 and earlier years) that PSAA use to set the indicative fees. Also, in 2015/16, PSAA reduced all scale fees by 25%.

The final fee is still subject to determination by PSAA.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2015/16 were, in total, more than those in 2014/15.

The Pooling of Housing Capital Receipts return fee was more than the expected fee of £5,000 due to additional time spent as a result of your position not being clear as regards making potential amendments to the return (ultimately, no amendments were made). Nevertheless the fee is lower than 2014/15 when we issued a qualified assurance report due to inclusion of £0.7 million of previous year expenditure. We also reported in 2014/15 an area of uncertainty where the guidance was not clear whether expenditure reported on the return should only be that funded from capital receipts or should include other sources of funding as well, for example expenditure funded from borrowing.

The Teachers' pensions fee increased from £3,500 to £5,500 as we carried out additional work this year to agree errors identified in the return, and we reported further unadjusted errors to Teachers' Pensions Agency.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	59,237	70,380
Pooling of Housing Capital Receipts	5,700	5,786
Teachers' Pensions	5,500	3,500
HCA compliance reporting	n/a	3,000
Total fee	70,437	82,666



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