



Annual Report on grants and returns 2016/17

Leicester City Council

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in connection with this
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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 John Cornett, 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 (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSA'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.

Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 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 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim –the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £130.4 million.
- Under separate engagements we issued reports on two claims/returns as listed below.
 - Teachers' pensions (value £24.3 million); and
 - Pooling of housing capital receipts (value £17.7 million).

Certification and assurance results (Pages 4-6)

Our certification work on Housing Benefit Subsidy 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.

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 six new error categories this year mainly where benefit had been overpaid as a result of incorrect application of dependents' deduction and service charges in rent calculations. These new errors had no impact on the subsidy claimed.

Historically, we have also identified errors in relation to non-HRA cases. Our testing of the 2016/17 claim did not identify any errors in the rent liabilities calculated within non-HRA rent rebate cases and we did not identify any errors in non-HRA cases that required qualification to the subsidy claim. However, we have made a small amendment to the claim in relation to errors where we have been able to test all of the cases which demonstrated the attributes of the error.

Our work on the other grant assurance engagements resulted in no adjustments being made to the Teachers' Pensions return, although we were required to report rounding differences which amounted £38. No adjustments were necessary to the pooling of housing capital receipts return.

Recommendations (Page 8)

We have made one recommendation from our work this year regarding action to be undertaken by the Authority to address the errors identified from the audit of the Housing Subsidy Benefit claim (further detail is provided on page 5)

Fees (Page 7)

Our fee for certifying the Authority's 2016/17 Housing Benefit Subsidy grant was £52,785, which is in line with the indicative fee set by PSAA

Our fees for the other 'assurance' engagements were subject to agreement directly with the Authority and were as planned.

Summary of reporting outcomes

Overall, we carried out work on three grants and returns:

- two were unqualified with no amendment; and
- one required a qualification to our audit certificate and amendment.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 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 or assurance report.

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	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	①	●		●	
Other grant/return engagements					
— Teachers’ Pensions return	②				●
— Pooling of Housing Capital Receipts return	③				●
		1	0	1	2

Summary of certification work outcomes

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 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. This involved testing over 1000 further cases as part of the work to certify the 2016/17 claim. We also identified six new error categories this year mainly where benefit had been overpaid as a result of incorrect application of dependents’ deduction and service charges in rent calculations. These new errors had no impact on the subsidy claimed.</p> <p>Our work did not identify any errors in the rent liabilities calculated within non-HRA rent rebate cases and we did not identify any errors in non-HRA cases that required qualification to the subsidy claim. However, we have made a small amendment to the claim in relation to errors where we have been able to test all of the cases which demonstrated the attributes of the error.</p> <p>We have identified a number of issues that have been reported for several 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 of errors, for example through training of assessors. This requires continuous commitment to training and quality to minimise the number of errors. We acknowledge that the Quality Assurance team are proactive in correcting the errors that they discover.</p> <p>The Quality Assurance and Performance Manager, Revenue & 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. This has included but is not limited to:</p> <ul style="list-style-type: none"> • Training and development plans for staff, particularly in relation to areas of common error; • Monitoring of cases in year by the QA team and management of claims drill down to the error areas. Monitoring includes checking of cases before a formal assessment or payment has been made on the claim to ensure it is correct first time; and • Changes in the process of creating and recovering overpayments to ensure more prompt recovery and fewer classification errors 	- £1,846

Summary of certification work outcomes (cont.)

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

Ref	Summary observations	Amendment
	<p>Housing Benefit Subsidy (cont.)</p> <p>We have raised a recommendation for the Authority to continue to take actions to address the matters in our qualification letter, to reduce the level of errors being repeated in subsequent years. We acknowledge that although errors continue to be identified through our work the value of loss to the authority through subsidy clawback against the general fund has reduced from £1.2m in 2012/13 to an anticipated clawback of £330k for 2016/17</p>	
2	<p>Teachers' Pensions</p> <ul style="list-style-type: none"> — We issued an unqualified assurance report. We were required to report immaterial rounding differences amounting to £38. — No amendments were made to the return. 	£0
3	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> — We issued an unqualified assurance report. — No amendments were made to the return. 	£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 2016/17 was £63,285.

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 2016/17 of £52,785. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £59,237. The fees vary from year to year due to the historic basis (two year cycle) that PSAA use to set the indicative fee.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Authority. Our fees for 2016/17 were as planned. Extra fee was charged for the Pooling return in 2015/16 due to extra work undertaken and was explained in our 2015/16 grants report.


Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	52,785	59,237
Teachers' Pensions	5,500	5,500
Pooling of Housing Capital Receipts	5,000	5,700
Total fee	63,285	70,437

Recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

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>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Theme heading					
<p>2016/17 Qualification Letter</p> <p>A high level of recurring errors continues to contribute to the amount of subsidy clawback each year.</p>	<p>By taking action to eliminate errors, the Authority could reduce the amount of subsidy clawed back.</p>	<p>1 Take prompt action to address matters in our housing benefits qualification letter, to reduce the level of errors being repeated in subsequent years.</p>			



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