



KPMG LLP
Infrastructure, Government & Healthcare
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA
United Kingdom

Tel +44 (0) 113 231 3000
Fax +44 (0) 113 231 3200

Private & confidential

Alan Gay
Deputy Chief Executive
Leeds City Council
Civic Hall
Leeds
LS1 1UR

Our ref rw/rt/16/jb-001

Contact Rob Walker
0113 231 3619

4 January 2016

Dear Alan

Certification of claims and returns – annual report 2014/15

Public Sector Audit Appointment 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 2014/15.

In 2014/15 we carried out certification work on only one claim/return, the Housing Benefit Subsidy claim. The certified value of the claim was £289million, and we completed our work and certified the claim on 26th November 2015.

Matters arising

There were six issues which led to qualification and amendment of the claim; these were mainly attributable to benefit assessor inputting errors, as well as a minor system error. The impact on subsidy of the errors, however, was minimal. The total impact of the amendments was to slightly increase the total amount claimed by £2,979 and the final extrapolated amount for unadjusted items, on which the Department will make a final decision, was a potential reduction in cell 103 of (£69,893), with corresponding increase in cell 113, LA error overpayments. This has £Nil impact on subsidy as the Authority would remain under the LA error threshold.

Compared to the 13-14 claim there were different types of errors found, and an increased number of amendments to individual cells in the claim were made, but most issues were minor with limited impact. On this basis we have only included one recommendation in relation to training or reminders on the checking of the working tax credit information which formed the basis of the extrapolation in the qualification letter.

In detail the most significant item related to the incorrect application of working tax credit and child tax credit (WTC/CTC) updates in cell 94, where the advised change in rates for claimants had not been correctly updated as a change in circumstances, resulting in incorrect WTC/CTC amounts being included in the eligibility calculations. We found no cases where the tax credit

had been excluded completely in error, but we found that changes in the amounts of the credit had not always been applied to the benefit calculation. This resulted in both overpayments and underpayments on different cases. While this has a small impact on individual cases the impact of extrapolating the errors found across the population results in the potential error outlined above.

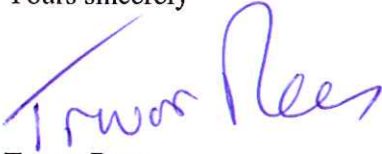
Other items adjusted for in the claim were due to minor classification or input errors.

In our 2013/14 Certification Annual Report we raised one recommendation relating to the Authority's Housing & Council Tax Benefit subsidy claim to improve training given the errors identified in non-HRA rent rebates and rent allowances testing see Appendix 2. We did not find the same level or similar errors in 2015/16, but as outlined above found a range of other minor processing errors.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2014/15 of £22.1k. We expect the final fee to be £23.6k to take account of additional work required on the benefits claim given the issues identified in claim and qualification letter. Note that this is subject to agreement by the PSAA. This compares to the 2013/14 fee for this claim of £21.2k.

Yours sincerely



Trevor Rees
Director

Appendix 1 – 2014/15 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	Comment/Responsible officer/Due date
1	WTC/ CTC updates not being applied correctly	The Authority should assess whether a training update or reminder of the process for checking changes in WTC and CTC when processing adjustments to claims is appropriate.	2	To be addressed in 2015/16

Appendix 2 – Follow up of 2013/14 Certification of Claims and Returns Recommendations

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>

Number	Issue	Recommendation	Priority	2014-15 comment
1	<p>Several input errors were identified in non-HRA rent rebates and rent allowance case testing during the Housing Benefit Subsidy claim certification work. Although the value of errors was small in relation to the value of the claim, these led to qualification of the claim.</p>	<p>The Authority should assess whether there are training needs for any of the assessment team and increase management checks in areas with a high error rate.</p>	②	<p>Overall we found evidence that the increased quality control and review over the areas with high error rate had been carried out effectively.</p> <p>However, we did find that the Non-HRA checking for cell 11 had been completed but the resulting amendments not actioned, therefore there is still opportunity to improve the management checks in this area.</p>

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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

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.

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 Prentice, 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, by email to andrew.sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA'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.