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**Private & confidential**

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6 January 2017

Dear Alan,

**Leeds City Council - Certification of claims and returns - annual report 2015/16**

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2015/16.

In 2015/16 we carried out certification work on only one claim, the Housing Benefit Subsidy claim. The certified value of the claim was £281.7 million, and we completed our work and certified the claim on 25<sup>th</sup> November 2016.

**Matters arising**

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 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.

There were 3 observations reported in the qualification letter covering 5 claims and a further 4 issues which led to qualification and amendment of the claim; these were mainly attributable to input errors. 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 and the final extrapolated amount for unadjusted items, was a potential reduction in cell 103 of (£113), with corresponding increase in cell 113, LA error overpayments.

The issues identified in prior years were not reported again this year and compared to the 2014/15 claim there were different types of errors found this year and a similar number of amendments to individual cells in the claim were made, but as in 2014/15, most issues were minor with limited impact. On this basis we have only included one recommendation in relation the calculation of claimants' earned income included in benefit calculations. This issue formed the basis of the extrapolation in the qualification letter.

As above, the most noteworthy matter related to the incorrect calculation of earned income. We found no cases where the income had been completely excluded in error but testing identified errors resulting in both the overpayment and underpayment of benefit in separate cases. Whilst this had a small impact on individual cases the impact of extrapolating the errors found across the population results in the potential reduction in cell 103 of (£113), with corresponding increase in cell 113, as outlined above.

Other items adjusted for in the claim were due to a minor variance identified between the claim form and the final subsidy report from the housing benefit system and a specific error relating to a case where a change in rent had not been backdated correctly as a result of the correct effective date not having been entered. With regards to the rent error we tested the full population of cases with the same attributes to fully quantify the error (£18) and amended the claim. This impacted cells 102 and 113 of the claim.

In our 2014/15 Certification Annual Report we raised 1 recommendation relating to the provision of training updates to staff in the checking of changes in Working Tax Credits and Child Tax Credits when processing adjustments to claims is appropriate. In 2015/16 training was provided and we did not identify the same error this year. However, another finding relating to working tax credits was reported as an observation in the qualification letter relating to one case where the working tax credit had not been discontinued from the correct date resulting in an underpayment of benefit.

### **Certification work fees**

Public Sector Audit Appointments set an indicative fee for our certification work in 2015/16 of £15.9k. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £23.6k. The 2014/15 fee included an

additional fee of £1.5k to take account of additional work required on the benefits claim given the issues identified in the claim and qualification letter.

Yours sincerely



Timothy Cutler

Engagement Lead



## Appendix 1 – 2015/16 Certification of Claims and Returns Action Plan

Priority rating for recommendations			
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.	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.	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.	

  

Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
1	Income Miscalculation	<p>Suggestions for improvement include:</p> <ol style="list-style-type: none"> <li>The continued review of assessors' work should focus on the treatment of earned income identified during the certification process; and</li> <li>Conduct refresher training for assessors in the calculation of earned income.</li> </ol>	①	Checks are already in place with regards to accuracy of input. It is further noted that the introduction of Wider Use Of Real Time Information (WuRTI) which is scheduled to be introduced in 2017/18 will mean that earned income details will be received in a standardised format, which will make their use more straightforward and reduce the risk of error.

## Appendix 2 – Follow up of 2014/15 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	2015/16 Comment
1	<p>WTC/ CTC updates not being applied correctly</p> <p>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.</p>	②	<p>Post-audit review training was provided to staff during 2015/16 and we did not identify the same error in 2015/16.</p>

This report is addressed to the Council and has been prepared for the sole use of the Council. 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.psaa.co.uk](http://www.psaa.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 Timothy Cutler, 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](mailto: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](mailto: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.