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Our ref **rfrlCCHB1617**

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Dear Doug

**Leeds City Council - Certification of claims and returns - annual report 2016/17**

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 2016/17.

In 2016/17 we carried out certification work on only one claim, the Housing Benefit Subsidy claim. The certified value of the claim was £268.2 million and we completed our work and certified the claim on 28 November 2017.

**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.

We identified a number of issues in 2016/17 that have been communicated through a qualification letter:

There were 8 observations reported in the qualification letter covering 8 claims and a further 10 issues which led to qualification and amendment of the claim. These were mainly attributable to income input errors, which is consistent with the prior year and consequently we have not raised any additional recommendations in 2016/17.

The total impact of the amendment was to increase the total amount claimed by £288.49.

The final extrapolated amount for unadjusted items was as follows:

- A potential reduction in cell 102 of (£55,543), with corresponding increase in cell 113, overpayment error.
- A potential reduction in cell 102 of (£180), with corresponding increase in cell 113, overpayment error.
- A potential reduction in cell 103 of (£5,074), with corresponding increase in cell 113, overpayment error.

The main issues identified and reported relate to the incorrect calculation of earned income which resulted in overpayment. Testing of additional cases also identified underpayment as a result of the earnings not having been correctly calculated. In the additional testing of cell 103, the claimant's income had been input, but there was no supporting documentation for this income for a period in the year. When recalculated with the verifiable income for three wage slips, we identified that in this case the claimant's applicable amounts exceeded the claimant's evidenced income in the relevant period.

Testing of the initial rent allowance sample (cell 102) also identified one case in which housing benefit had been paid on two homes using an incorrect assessment figure. There was no impact on the headline cell and additional testing identified no other errors within this population.

Prior year testing identified one case where the incorrect ineligible charges had been made for housing associations. This resulted in the amendment to the claim impacting cells 94 and 102.

We have made no new recommendations to the Council to improve its claims completion process. In our 2015/16 Certification Annual Report we raised one recommendation relating to income misclassification. Given the same issues arose in 2016/17, we have concluded the recommendation is partially implemented. Full details are included in Appendix 2.

### **Certification work fees**

Public Sector Audit Appointments set an indicative fee for our certification work in 2016/17 of £17,721. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £15,900.

Yours sincerely



Tim Cutler  
*Partner, KPMG LLP*

## Appendix 1 – 2016/17 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>

No recommendations identified in 2016/17.

## Appendix 2 – Follow up of 2015/16 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at November 2017	Management comments
1	<p>Suggestions for improvement include:</p> <ol style="list-style-type: none"> <li>1. The continued to review of assessors' work should focus on the treatment of earned income identified during the certification process; and</li> <li>2. Conduct refresher training for assessors in the calculation of earned income</li> </ol>	①	<p>Partially Implemented</p> <p>Whilst refresher training has taken place, a number of errors were again identified due to income misclassification. In addition, amongst the observations reported in the qualification letter, we identified two child benefit errors, whereby the amount of child benefit was not updated when the individual for which the claimant was receiving child benefit became classed as a non-dependent. This re-emphasises the need for additional training for staff.</p>	<p>The issues that were identified with regards to earned income were typographic / figure transposition errors, made when entering values in to the system. All these errors are being reviewed to see if there is a pattern of error type that would need addressing. The importance of accuracy in input will be emphasised to all assessment staff, and input from colleagues will be encouraged to identify if there are any causes for these errors, and to see if there are any solutions that can be implemented. It should be noted that increased automation is decreasing the need for manual input, and therefore the potential for such input errors to occur.</p> <p>It should also be noted that the input of the value of Child Benefit has no effect on the amount of Housing Benefit paid nor on the value of subsidy claimed since it is disregarded in full as income from the customers' income.</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 Tim 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.