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**Private & confidential**

Doug Meeson  
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Our ref RL/016

4 January 2019

Dear Doug

**Leeds City Council - Certification of Claims and Returns - Annual Report 2017/18**

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 2017/18.

In 2017/18 we carried out certification work on only one claim, the Housing Benefit Subsidy claim. The certified value of the claim was £253.8 million and we completed our work and certified the claim on 29 November 2018.

**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 2017/18 that have been communicated through a qualification letter submitted to the Department for Work and Pensions. These related to:

- The incorrect calculation of a claimant's income on HRA Rent Rebate cases. Testing of our initial sample identified one case where benefit had been overpaid as a result of the authority incorrectly calculating the claimant's income assessment. Testing of an additional sample of 40 cases from a sub-population of HRA Rent Rebate cases with income assessments identified a further three errors as a result of incorrect income assessments. Of these additional errors, two resulted in an underpayment of benefit and one had no impact on the benefit awarded. The extrapolated result reported for the unadjusted error was a potential overstatement of benefit of £46 (in Cell 061) and a corresponding understatement of the overpayment cell 065; and
- The incorrect calculation of a claimant's income on Rent Allowance cases. Testing of our initial sample identified one case where the claimant's income assessment had been incorrectly calculated. Although there was no impact on the award of benefit, an additional sample of 40 cases was selected for testing from a sub-population of Rent Allowance cases with income assessments, as the cause of the initial error could have resulted in an overpayment of benefit. Testing of the additional sample identified a further 2 cases where benefit had been overpaid as a result of incorrect income assessments. The extrapolated result reported for the unadjusted error was a potential overstatement of benefit of £36,709 (in Cell 102) and £198 (in Cell 103) with a corresponding understatement of the overpayment cell 113.

We also reported a number of observations within our qualification letter which did not result in extrapolated unadjusted errors. These related to:

- Two cases where an underpayment of benefit was identified within the initial sample of Rent Allowance cases. These were as a result of the incorrect deductions to a claimant's self-employed earnings in one case and the incorrect inclusion of a partner's carer's allowance. As these identified errors would always result in an underpayment of benefit and because there is no entitlement to subsidy for benefit which has not been paid, these were not classified as errors for subsidy purposes and no additional testing was undertaken;
- The misclassification of tenure type for one case where a Housing Association case had been incorrectly included within the Non-HRA Rent Rebate Cells. This misclassification was between cells on the claim form attracting the same subsidy rate and therefore there is no impact on the claim; and

- Errors identified through the testing undertaken by the Authority to address an issue identified in the previous year where incorrect assessment figures were applied on housing benefit cases with two homes. In testing the current year impact of this issue, the Authority identified three cases where the incorrect assessment figure resulted in an underpayment of benefit and six cases where this resulted in an overpayment of benefit. As the Authority have corrected the cases in the benefit system in 2018-19, no amendments were made to the 2017-18 claim for the results of the identified population.

In 2017/18, we have made no recommendations to the Council to improve its claims completion process. The Council should however continue to deliver training to staff and undertake quality checks to minimise the number of errors within the claim.

**Certification work fees**

Public Sector Audit Appointments set an indicative fee for our certification work in 2017/18 of £15,923. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £17,721.

Yours sincerely



Tim Cutler  
*Partner, KPMG LLP*

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.