



**Committee** Governance and  
Audit Committee

**Date** 16 January 2018

**Subject: Certification of Claims and Returns Annual Report 2016/17**

Report by:

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Purpose / Summary:

The purpose of the report is to present the Annual Claims and Returns Report from our External Auditor KPMG.

**RECOMMENDATION(S):**

**That Members accept the information contained within this report.**

## IMPLICATIONS

### Legal:

None arising from this report.

### Financial : FIN/125/18

The cost of the Housing Benefit Subsidy audit resulted in a charge of £6,176 and this has been contained within the existing budget provision.

### Staffing :

None arising from this report.

### Equality and Diversity including Human Rights :

None arising from this report

### Risk Assessment :

None arising from this report.

### Climate Related Risks and Opportunities :

None arising from this report.

### Title and Location of any Background Papers used in the preparation of this report:

### Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

### Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

## **Executive Summary**

The Certification of Grants and Returns Annual Report is attached at Appendix A, the headlines of which include:

- Housing Benefits was the only certified grant claim
- The Housing Benefits Subsidy claim had a value of £22,698,493
- The grant was certified on 5 December 2017

The report will be presented by KPMG LLP (UK).



# Annual Report on grants and returns 2016/17

**West Lindsey District Council**

January 2018



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The contacts at KPMG in connection with this report are:

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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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://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 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](mailto: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](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.

# Headlines

### Introduction and background

This report to the Governance and Audit Committee summarises the results of work we have carried out on the Authority's 2016/17 grant claims under the Public Sector Audit Appointments (PSAA) arrangements.

We certified one claim – the Authority's 2016/17 Housing Benefit Subsidy claim. This had a value of £22,698,493.

### Certification and assurance results

Our work in certifying the Housing Benefit Subsidy Claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the Department for Work and Pensions (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.

A number of errors were identified during the sample testing and officers needed to provide further evidence to evaluate their impact, determine any amendments required and allow us to certify the claim. It took the Authority's managers and Internal Audit longer than expected to provide the information needed in the format required and the claim could not be certified and submitted to the DWP by the 30 November 2017 deadline.

The certified amended claim and Qualification Letter were submitted to DWP on 5 December 2017. The on-going payment by DWP of subsidy was not affected by this delayed certification.

### Fee

The indicative fee for our work on the Council's 2016/17 Housing Benefit Subsidy was set by PSAA at £6,176. The matters arising this year has required us to do further work beyond that covered in the scale fee. We will discuss the additional work with management and if necessary apply to PSAA for a fee variation. We will update the Governance and Audit Committee if there are any further approved changes to the fee.

# Summary of certification work outcomes

This table summarises the key issues arising from this year's work in certifying the Housing Benefit Subsidy Claim.

## Summary observations

### Housing Benefit Subsidy

- Under the mandated approach for the claim's certification a sample of Benefit cases are tested to provide overall assurance on the accuracy of the Housing Benefit caseload and to confirm that the correct level of subsidy has been claimed by the Authority. At the Authority this initial testing is carried out by Internal Audit. We review their findings, re-perform an element of their testing and if possible rely on their work. We are required to assess any errors found against guidance issued by the Department of Works and Pensions (DWP), inform the Authority of the implications of the errors on our certification and agree any further testing required. This further testing could be:
  - 100% testing – further testing of all cases in the population where the type of error found could occur. This normally allows us to identify and correct any misstated entries on the claim.
  - 40+ testing – further testing of a sample of 40 cases selected randomly from the population where this type of error could occur. This approach is normally followed when there is a large number of cases in the population. The DWP guidance to auditors includes a standardised approach to estimating the possible total level of overpaid benefit, using the results of this 40+ extended testing.
- 29 Benefit cases were examined by Internal Audit as part of their initial testing, of which 6 cases contained errors. In all 10 errors were found. The level of errors identified by Internal Audit was generally higher than that identified in previous years. The errors and recommendations to support improvement were reported (August 2017) by Internal Audit to Benefits management and were referred to in their progress report to Governance and Audit Committee on 7<sup>th</sup> November 2017.
- Errors which resulted in an underpayment of benefit and where the nature of the error meant this would always lead to an underpayment if the error was repeated, were reported in our findings to DWP in the Qualification Letter which we submitted with the certified claim.
- There were also errors in the initial testing around eligible rent, extended payments periods and childcare cost deductions which had resulted in overpayments and where further testing was required. The Authority's managers opted to carry out 100% testing of these cases as they believed the 40+ approach could result in an unreliable estimate of the actual likely total amounts overpaid in the year. The 100% testing of similar cases was carried out by the Authority and Internal Audit, and their findings were reviewed by us.
- It took the Authority's managers and Internal Audit longer than expected to provide the information needed to support this testing in the format required and the claim could not be certified and submitted to the DWP by the 30 November 2017 deadline. The certified amended claim and Qualification Letter were submitted to DWP on 5 December 2017.
- The 100% testing resulted in the claim being amended for all the errors found, including under and over payments, resulting in a net increase of £37 in the amount of subsidy due to the Authority.
- We will discuss the matters arising from the 2016/17 work and the testing approach for the 2017/18 Claim with the Authority's managers and Internal Audit early in 2018, with the aim of avoiding any similar errors or testing difficulties as part of this year's work.



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