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# Certification of grant claims and returns 2012/13

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Sheffield City Council

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<p>Introduction and background</p>	<p><b>This report summarises the results of work on the certification of the Council's 2012/13 claims and returns.</b></p> <ul style="list-style-type: none"> <li>For 2012/13 we certified: <ul style="list-style-type: none"> <li>4 grants and returns with a total value of £573.7m.</li> </ul> </li> </ul>	-
<p>Certification results</p>	<p><b>We issued unqualified certificates for 2 claims and returns, but qualifications were necessary for the other two .</b></p> <ul style="list-style-type: none"> <li>We issued a qualification letter on the Council's housing benefits claim to report, as required, on a range of issues described in more detail on page 4. In summary these issues relate to i) overpaid and underpaid benefit resulting from errors in the assessment of tax credits; ii) misclassified expenditure (overpayments, rent allowance and backdated expenditure); and iii) an unexplained, but apparently limited, system discrepancy which raised questions about the integrity of information held on the benefits system.</li> <li>We issued a qualification letter on the Council's Teachers' Pensions Scheme return to report that the Council did not put in place any arrangements to gain assurance that third party providers had properly introduced tiered contributions from 1 April 2012; and</li> <li>This compares to one claim (housing benefits) being qualified in 2011/12.</li> </ul>	<p><b>Pages 3 – 4</b></p>
<p>Adjustments</p>	<p><b>Adjustments were necessary to 1 of the Council's claims and returns as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>Off-setting upwards and downwards adjustments totalling £52,000 were made to the detailed analysis of pension contributions by tier on the Teachers' Pensions Return. However these adjustments did not affect the overall contributions recorded on the claim; and</li> <li>This compares to adjustments of £71,000 made to the housing benefits claim, and £9,000 to the pooling of capital receipts claim in 2011/12.</li> </ul>	<p><b>Pages 3 – 4</b></p>
<p>The Council's arrangements</p>	<p><b>The Council has adequate arrangements for preparing its claims and returns and supporting our certification work, but some further improvements can be made.</b></p> <ul style="list-style-type: none"> <li>Housing Benefits Subsidy claim. Officers have made significant efforts to improve the support provided to us. However arrangements could be further improved by providing i) timely responses to queries from the auditor; and ii) a wider range of working papers and supporting evidence when certification work commences. The recommendations on pages 9 and 10 are aimed at securing improvements in these arrangements;</li> <li>Teachers' Pensions claim. For schools which have their own payroll provider, the Council should carry out spot checks on the accuracy of the employee contributions calculated following the introduction of the new tiered system in 2012/13; and</li> <li>We raised three recommendations in relation to Housing Benefits Subsidy claim last year. All three recommendations have been implemented.</li> </ul>	<p><b>Page 4</b></p>
<p>Fees</p>	<p><b>The Audit Commission changed its fee regime for certifying claims and returns in 2012/13.</b></p> <ul style="list-style-type: none"> <li>The Commission set an indicative fee for the Council of £38,300. Our actual fee for the certification of grants and returns is £39,870 subject to Audit Commission approval of a fee variation. The difference is due to the need to complete additional testing on the teachers' pensions scheme compared to 2010/11 (the baseline year for setting fees), and to draft and agree the qualification letter on that claim.</li> <li>These fees compare to a total charged for 2011/12 of £89,200 including £8,900 for claims discontinued after 2011/12.</li> </ul>	<p><b>Page 5</b></p>

Overall, we certified 4 grants and returns:

- 2 were unqualified with no amendment; and
  - 2 required a qualification to our audit certificate, with in addition one of these claims requiring minor adjustments to the figures.
- Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2012/13 claims and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

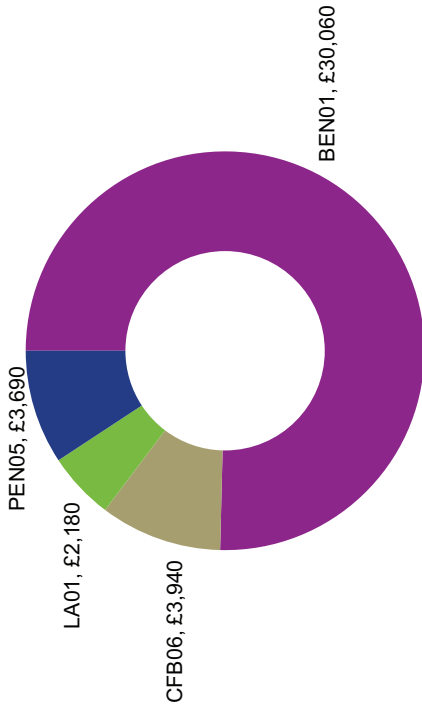
	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefit	1				
Pooling of Housing Capital Receipts					
National Non Domestic Rates return					
Teachers' Pensions return	2				
		2	0	1	2

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p><b>Housing and council tax benefits</b></p> <ul style="list-style-type: none"> <li>■ The claim was qualified in respect of several issues which have also arisen in previous years: overpaid and underpaid benefit due to errors in the assessment of tax credits; misclassified overpayments; and misclassified backdated expenditure. The first two issues can impact on the level of subsidy claimable and are therefore issues that the Council should seek to address. Although misclassified backdated expenditure no longer has an impact on the amount of subsidy claimed, it is an issue which requires attention to avoid future qualification by the auditor.</li> <li>■ There were two new issues identified in 2012/13 which also resulted in qualification: misclassified rent allowances and an unexplained system discrepancy apparently affecting only cases calculated on a daily rather than weekly basis. The misclassification of rent allowances in this instance does not impact on subsidy claimable, but it is an issue which should be addressed to avoid future qualification by the auditor. Unexplained system discrepancies reduce assurance from the system and require additional work. There were no amendments to the claim.</li> </ul>	£0
2	<p><b>Teachers' pensions return</b></p> <ul style="list-style-type: none"> <li>■ The return was qualified as the Council could not provide evidence to demonstrate that the new system of tiered contribution rates was properly implemented by schools that use their own payroll providers. However, our sample testing did not detect any errors in practice. In addition there were errors totalling £52,000 each way in the table that analyses contributions by tier. These errors cancelled out so there was no impact on the overall total of the return.</li> <li>■ The Department expects all Councils to obtain appropriate evidence from third party providers, so that each body has sufficient assurance that its overall claim is correct.</li> </ul>	<p>£0 overall</p> <p><b>+£52,000</b>  <b>-£52,000</b></p>

Our overall fee for the certification of claims and returns is estimated at £1,570 (4%) above the original estimate reflecting additional work necessary on the Teachers' Pensions return. This additional fee is subject to confirmation by the Audit Commission.

Breakdown of certification fees 2012/13



Breakdown of fee by claim/return		
	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefits	30,060	62,200
CFB06 – Pooling of Housing Capital Receipts	3,940	7,100
LA01 – National Non Domestic Rates return	2,180	6,200
PEN05 – Teachers' Pensions return	3,690	4,800
Discontinued claims	0	8,900
<b>Total fee</b>	<b>39,870</b>	<b>89,200</b>

The Audit Commission changed its fee regime for certifying claim and returns in 2012/13 which provided an expected overall fee for the year (which is initially derived from the fees charged in 2010/11 less 40% savings from national tendering in 2012). Previously fees were charged on the basis of the actual time taken. It set an indicative fee for the Council of £38,300. Based on the actual work we carried out the fee we expect to charge is £1,570 (4%) higher than the indicative fee. The reason for the fee exceeding the indicative fee was that additional testing was required on the teachers' pension return due to the move to tiered contributions, and the claim had to be qualified. The equivalent fee charged in 2011/12 was £89,200.

The fee variation of £1,570 is still subject to confirmation by the Audit Commission, and consequently our fee information is presented as estimated rather than final.

We have given each recommendation a risk rating and discussed and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority rating for recommendations		
<p><b>1</b> 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><b>2</b> 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><b>3</b> 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>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p><b>Housing benefits</b></p> <p><b>System discrepancy</b></p> <p>There was a 16p underpayment of benefit on one Non HRA case due to an unexplained system discrepancy within the Academy benefits system. Capita Software Services asserted that this problem is limited to the small number of cases calculated on a daily rather than weekly basis and provided evidence that this was the only daily case with a system discrepancy.</p>	<p>Incorrect calculation of 1 day benefits cases. Unexplained system discrepancies reduce assurance from the system and require additional work. Qualification issue.</p>	<p>The Authority/Capita should run a system enquiry to identify any discrepancies on one day Non HRA cases between benefit recorded on the Academy transactions screen and benefit on the Academy assessment line calculator.</p>	<p><b>2</b></p>	<p>Capita: We will run a system enquiry identifying all 1 Day Benefits cases in the Non HRA which will be checked before Subsidy Claim is submitted.</p>	<p>Dave Mendham :Capita After 31<sup>st</sup> March 2014 year end and before Subsidy Claim is submitted by 30<sup>th</sup> April 2014.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p><b>Theme heading</b></p> <p><b>Tax credits</b></p> <p>Errors in child tax credit and working tax credit leading to both overpayments and underpayments of benefit. The introduction of Automation to ATLAS MANAGER in July 2013 should help to reduce the number of errors as the transfer of tax credit information is now electronic and no longer requires manual input.</p>	<p>Incorrect calculation of benefits payable.</p> <p>Qualification issue.</p>	<p>2</p> <p>The Authority/Capita should review the impact of the introduction of ATLAS MANAGER on the level of child tax credit and working tax credit errors. Early testing of a sufficient sample of cases may help to demonstrate that the issue has been addressed.</p>	<p>2</p>	<p>Capita: Cases are now pushed through automation by a nationwide accepted process from July 2013. System testing was carried out by ATP and a training folder was put together explaining the in depth process in line with DWP guidance and HBR32. Copy of training folder can be provided if required.</p>	<p>Dave Mendham : Capita As required</p>
<p><b>Misclassified overpayments</b></p> <p>Overpayments incorrectly classified as eligible error (40% subsidy) rather than LA error (100% subsidy assuming below threshold).</p>	<p>Subsidy potentially under claimed.</p> <p>Qualification issue.</p>	<p>3</p> <p>The Authority/Capita should strengthen quality review procedures to ensure that the number of overpayment misclassifications is minimised. Follow up testing should be done of a sample of overpayments in the draft subsidy claim 2013/14.</p>	<p>2</p>	<p>Capita: We will put out a further guidance e-mail to remind assessors of the importance of correct classification.</p> <p>SCC: Overpayment checks are done as part of the 10% contract monitoring arrangements and this is continuing and was done during 2013/14.</p>	<p>David Mendham: Capita By 31st Jan 2014</p> <p>Chris Allen: Sheffield City Council - ongoing</p>



## Certification of grant claims and returns 2012/13 Recommendations (cont.)

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p><b>Theme heading</b></p> <p><b>Rent Allowance classification</b></p> <p>Errors in classification of rent allowance cases not requiring referral to rent officer(Housing Association/RSL) (cell 102) – some had been incorrectly recorded in cell 103 as Local Housing Allowance cases.</p>	<p>Qualification issue but no impact on amount of subsidy.</p>	<p><b>4</b></p> <p>The Authority/Capita should review cases with subsidy entries recorded in both cell 102 and cell 103 to check correct classification. If 100% checking is feasible then this would enable the agreement of an amendment to the subsidy claim and avoid future qualification.</p>	<p><b>2</b></p>	<p>Capita: Will attempt to do 100% check of cases, if feasible, with entries recorded in both cells 102 and 103.</p>	<p>Dave Mendham: Capita before Subsidy Claim is submitted by 30<sup>th</sup> April 2014</p>
<p><b>Backdated expenditure</b></p> <p>Benefit entitlement incorrectly classified as backdated expenditure. However expenditure recorded in backdate cells (which repeats benefit entitlement already recorded in the subsidy headline cells) is effectively for management information purposes only.</p>	<p>Qualification issue but no impact on subsidy.</p>	<p><b>5</b></p> <p>The Authority /Capita should identify why backdate misclassifications have occurred and take appropriate action to ensure that similar errors are avoided in future.</p>	<p><b>3</b></p>	<p>Capita: We will put out a further guidance email to remind assessors of the importance of correct classification. Sample checking will be done to ensure its success.</p>	<p>Dave Mendham / Jeff Green: Capita By 31st March 2014</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p><b>Theme heading</b></p> <p><b>Response to auditor queries</b></p> <p>Although all queries were answered, due to the complexity of some of them, in some cases responses took over 3 months.</p>	<p>Potential impact on timescale and fee if responses are unduly delayed.</p>	<p><b>6</b></p> <p>Authority/Capita to improve arrangements for responding to auditor queries promptly and providing complete and robust responses to issues identified by the auditor.</p>	<p>2</p>	<p>With regards to the complexity of these cases. One case had to be referred to CSS the software supplier after thorough investigation in Sheffield failed to identify the reason for the discrepancy of this case. After checking all the cases of this type in the system. no other instance of this error was found, so at this point the case was referred to CSS the software supplier who also had to do thorough testing of the system as no other error of this type had been identified by any other Authority in the 19 years of the Academy system operating.</p> <p>The Authority's approach was to return the bulk of cases in the sample rather than withhold the sample return for one case.</p>	<p>Dave Mendham: Capita to keep a log of any non-returns in the main sample with a note to the auditor with target return dates to allow for any complex additional work that may be required within Capita or CSS the software supplier.</p> <p>Capita will update the auditor on a weekly basis if the target date is not achieved giving reasons and revised timescales.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Housing and Council Tax Benefits</b>					
<p><b>Claim compilation</b></p> <p>We noted that the subsidy claim certification process could be made more efficient by ensuring that standard working papers are provided at an early stage after claim compilation. In particular:</p> <ul style="list-style-type: none"> <li>i) System software evidence – screen prints evidencing that the correct version of the software is in place and that the appropriate validation checks have been performed.</li> <li>ii) A file note could have been provided explaining significant differences between the 2011/12 and 2012/13 subsidy claims.</li> <li>iii) A file note explaining how the Authority/Capita has addressed issues previously raised by the auditor.</li> </ul>	<p>Inefficient claim certification process. Potential impact on auditor fee if similar delays in future.</p>	<p>7</p> <p>To agree list of working paper requirements before compilation of the 2013/14 subsidy claim.</p>	<p>2</p>	<p>i) agreed</p> <p>ii) will provide in future if audit can clarify what they mean by significant differences. Notes are already provided of cell movements on the excel claim spreadsheet provided</p> <p>iii) supporting documentation will be provided on additional checks .</p>	<p>Dave Mendham: Capita &amp; Christine Allen: SCC</p> <p>Will review the current subsidy audit pack and include a documented list of information required and supporting documentation to be provided. List to be agreed with the Auditor by 31st January 2014.</p>
<b>Teachers' Pensions</b>					
<p><b>Tiered contributions</b></p> <p>The Council should obtain appropriate assurances from third party providers that the system of tiered contributions has been implemented successfully.</p>	<p>Without these assurances the Council does not have reasonable assurance that the new system has been implemented properly, and that the figures on the claim are correct.</p>	<p>8</p> <p>For schools which have their own payroll provider, Sheffield CYP should carry out spot checks on the accuracy of the employee contributions calculated following the introduction of the new tiered system in 2012/13.</p>	<p>2</p>	<p>A process will be put in place to sample-check schools using external payroll providers.</p>	<p>Liz Orme: SCC</p> <p>31 March 2014</p>



## Certification of grant claims and returns 2012/13 **Prior year recommendations**

We made 3 recommendations in our 2011/12 Certification of Grants and Returns report, all on the Housing Benefit Subsidy claim. We are pleased to report that all three recommendations were implemented successfully in 2012/13.



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