



Annual Report on grants and returns 2015/16



Sheffield City Council

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The contacts at KPMG
in connection with this
report are:

Tim Cutler
Partner

Tel: 0161 246 4774

Alison Ormston
Senior Manager

Tel: 0113 231 3444

Jerri Lewis
Manager

Tel: 0161 6187 359

Matthew Ackroyd
Manager

Tel: 0113 254 2996

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Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointment arrangements we certified one claim – the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £195.8 million.
- Under separate assurance engagements we certified two returns and one arrangement as listed below.
 - Pooling Capital Receipts (value £11,901,046);
 - Teachers' Pension Return (value £10,537,476); and
 - SFA subcontracting arrangements.

Certification and assurance results (Pages 3-4)

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.

Following the completion of our work, the claim was subject to a qualification letter. In summary we qualified on five issues and reported five observations. Further detail can be found on page 5. This compares to a total of 7 issues that were reported in the 2014/15 qualification letter. On the 10th January 2017 the DWP wrote to us requesting



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further information on two issues reported in our Qualification Letter dated 29th November 2016. A Supplementary Qualification Letter was issued to the DWP on 27th January 2017.

Our work on the Teachers Pension Return, the Pooling Capital Receipts Return and the SFA subcontracting arrangements were unqualified.

Adjustments were necessary to the Housing Benefit Subsidy Claim. A total of one amendment was made to the claim of value £0.12 and related to an issue that carried forward from the 2014/15 certification regarding an incorrect LHA rate that had been used in prior years. This compares to three adjustments made to the claim in 2014/15 with a total value of £403. Please note audit requirements mean we are obligated to report all adjustments regardless of value.

No amendments were required to the Teachers' Pensions Return or the Pooling Capital Receipts Return. A number of recommendations were made regarding the SFA subcontracting arrangements.

Recommendations (Pages 7 – 8)

We have made 5 recommendations to the Council from our work this year on HB and agreed an action plan with officers.

In addition there were two recommendations outstanding from previous years' work on grants and returns.

Fees (Page 5)

The indicative fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was set at £25,500 by the PSAA, on the 10th January 2017 the DWP wrote to us requesting further information on two issues reported in our Qualification Letter dated 29th November 2016. Following the clearing of these additional queries, an additional fee of £4,525 was agreed with the Council, with this fee to be ratified by the PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were:

- Pooling Capital Receipts; £2,750 plus VAT;
- Teachers' Pension Return; £3,250 plus VAT; and
- SFA subcontracting arrangements; £6,000 plus VAT.

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Summary of reporting outcomes

- Overall, we carried out work on 4 grants and returns:
- 3 were unqualified with no amendment;
 - 1 was unqualified but required some amendment to the final figures; and
 - 1 required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

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	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1	●		●	
Other assurance engagements					
— Teachers Pensions					●
— Pooling of Capital Receipts					●
— SFA subcontracting arrangements *1					●
		1	0	1	3

*1 – During this review, of the six applicable areas we tested, we gave partial compliance to them all, indicating there were some areas of non-compliance however we did not assess these as significant or reason for qualification. In addition we raised 19 recommendations for which the Council provided management responses.

Summary of certification work outcomes

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

Ref	Summary observations
1	<p>Housing Benefit Subsidy Claim</p> <p>Qualifications</p> <p>We reported a total of 5 qualifications in our letter dated 29th November 2016.</p> <ol style="list-style-type: none"> 1. NHRA – one issue was reported in the qualification letter relating to ineligible charges that had been miscalculated in the rent calculation resulting in both under and overpayment of benefit. The total extrapolated error reported was £101; this error has been reported in prior years. 2. Rent Rebates – we reported two issues as follows: <ol style="list-style-type: none"> 1. Working tax credit and child tax credit figures had been incorrectly manually input into the benefit calculation resulting in both over and under payments of benefit. The total reported extrapolated impact of this error was £3,963 and this year is the first year we have reported this issue. 2. The earned income had been calculated incorrectly in the benefit calculation resulting in both under and overpayment of benefit. This is the second year we have reported this issue and the total extrapolated error was £305. 3. Rent Allowances – we reported two issues as follows: <ol style="list-style-type: none"> 1. The additional earnings disregard had been incorrectly applied to the benefit calculation, which resulted in overpayment of benefit in some cases. This is the first year we have reported this issue and the total extrapolated impact reported was £1,763. 2. The earned income had been calculated incorrectly in the benefit calculation resulting in the overpayment of benefit. This is the second year we have reported this issue and the total extrapolated error was £7,766. <p>Observations</p> <p>We reported a total of 5 qualifications in our letter dated 29th November 2016. On the 10th January 2017 the DWP wrote to us requesting further information on two of the issues (highlighted below) and as a result they have now been included as qualifications in the Supplementary Qualification Letter dated 27 January 2017.</p> <ol style="list-style-type: none"> 1. One case where benefit had been overpaid as a result of the Authority not having suspended a claim following a FERIS review of the case. The claimant had not supplied the Council with all the information they required to be able to process the change in income of the claimant and therefore the Council should have suspended the claim. As we were unable to quantify the value of the error no further testing was possible at the time of the audit. <i>Following the request from the DWP for further information the Council confirmed that the claimant had now provided the additional information and the overpayment was quantified to £24. As a result this issue was reclassified as a qualification in the supplementary qualification letter.</i>

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Summary of certification work outcomes

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

Ref	Summary observations
1	<p>Observations continued.</p> <ol style="list-style-type: none"> 2. One case where an increase in rent had not been processed in a timely manner resulting in an underpayment of benefit. 3. One case where an increase in rent from a housing association had not been processed in a timely manner resulting in an underpayment of benefit. 4. One case in which the Authority had incorrectly used the 2014/15 LHA rate for 2015/16 resulting in an underpayment of benefit. 5. The benefit type for a particular Housing Charity provider had been miscoded by the Authority. The result of this was that a rent officer decision was required on the two cases impacted by this error. As this was not available at the time of the audit the error could not be fully quantified and the claim form could not be amended. <i>Following the request from the DWP for further information the Council confirmed that the rent officer decisions had now been provided and the errors were quantified. As a result this issue was reclassified as a qualification in the supplementary qualification letter.</i>

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FEES

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on returns are agreed directly with the Council.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2015/16 of £25,500. Additional fee of £4,525 was agreed with the Council as a result of additional work required and the answering of further queries from DWP. The fee variation agreed will also have to be ratified by the PSAA.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2015/16 were in line with those in 2014/15 where the return had been completed in the prior year.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	25,500*	26,450
Teachers' Pensions	3,250	3,250
Pooling Capital Receipts	2,750	2,750
SFA subcontracting	6,000	-
Total fee	37,500*	32,450

* See comment above re additional fee agreement of £4,525 making the total fee for the Housing Benefit Subsidy Claim £30,025

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Recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority rating for recommendations			Priority	Comment	Responsible officer and target date			
Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date			
Housing Benefit Subsidy Claim								
<p>NHRA Ineligible charges</p> <p>We have reported for a number of years on the miscalculation of ineligible charges in benefit calculations.</p>	<p>Errors found in our testing can lead to further testing and additional work on behalf of the Council and ourselves as well as potential increases in fees. Overpayments of benefit can also lead to a reduction in subsidy for the Council.</p>	<p>1</p> <p>Suggestions for improvement include:</p> <ul style="list-style-type: none"> The review of assessors' work should focus on the treatment of ineligible charges; and Conduct refresher training for assessors in the calculation of ineligible charges. 	2	<p>Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training.</p>	<p>Head of Commercial Business Development – 31.03.2017</p>			
<p>Processing of rent changes</p> <p>We identified cases where increases in rent had not been processed in a timely manner resulting in underpayments of benefit.</p>	<p>Underpayments increase the risk to the Council of loss of income on the Council's rental properties due to non paid rents. In addition it may lead to distress and hardship to the claimants.</p>	<p>2</p> <p>The Council should ensure that all rent changes (increases and decreases) are implemented in a timely manner to reduce the risk of under and overpayment of benefit to claimants.</p>	2	<p>Agreed. Benefits contractor to be instructed to issue staff with refresher guidance to ensure the procedures in place to deal with rent changes are adhered to.</p>	<p>Head of Commercial Business Development – 31.03.2017</p>			
<p>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>1</p>			<p>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>2</p>			<p>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> <p>3</p>		

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Recommendations cont.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Housing Benefit Subsidy Claim					
Working Tax Credit/ child Tax credit We identified 5 cases where the WTC/CTC had been manually input into the benefit calculation incorrectly.	Additional audit work leads to increases in fee and delays in the audit process	3 The Council should undertake a process of review of assessors' work to focus on the manual input of WTC/CTC.	2	Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training.	Head of Commercial Business Development – 31.03.2017
Additional Earnings disregard This is a complex area of the benefit calculation and we identified 6 cases where the disregard had been incorrectly applied to the benefit calculation.	As above, additional audit work leads to increases in fee and delays in the audit process.	4 Suggestions for improvement include: <ul style="list-style-type: none"> The review of assessors' work should focus on the treatment of additional earnings disregard; and Conduct refresher training for assessors in the application of disregards 	2	Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training.	Head of Commercial Business Development – 31.03.2017
FERIS reviews As a result of a FERIS review a claimant was asked to provide further information to support their income. Whilst some information was provided the Council did not have enough information to determine an effective start date and should have suspended the claim to avoid an overpayment of benefit.	Overpayments of benefit can lead to a reduction in subsidy for the Council and result in additional work and processing required by assessors.	5 The Council should ensure that all assessors are aware of the processes involved in a FERIS review and the information required as a result of it and what action to take should not all information be provided. A process of review of wider cases where income has been updated in year should be undertaken to ensure that all information has been provided to cases that are not suspended.	2	Agreed. Benefits contractor to be instructed to remind staff of correct process to follow and to carry out quality checks in 2017/18.	Head of Commercial Business Development – 31.03.2017

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Prior year recommendations

We made 5 recommendations in our 2014/15 Certification of Grants and Returns Annual Report. Two recommendations have not yet been implemented fully and we have detailed their current status below.

Prior year recommendation		Priority	Status as at February 2017	Management comments
Housing Benefit Subsidy Claim				
1	<p>Taxable income</p> <p>Calculating the claimants' appropriate taxable income is a complex area, and our testing continues to find errors in these calculations. This year we found five claimants who were underpaid due to incorrect calculations of their weekly income.</p> <p>The Council should remind assessors to use standard templates when calculating taxable income.</p>	2	<p>We found further errors in the 2015/16 certification in both the rent rebate and rent allowance testing.</p> <p>Suggestions for improvement include:</p> <ul style="list-style-type: none"> • The review of assessors' work should focus on the treatment of earned income identified during the certification process; and • Conduct refresher training for assessors in the calculation of earned income 	<p>Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training.</p>
2	<p>LHA reduction adjustment</p> <p>Some claimants may still have claims that include the overstated LHA rate from 2012/13 in the 2015/16 subsidy grant benefit calculations.</p> <p>The 2015/16 overstated subsidy value in respect of this issue is expected to be lower than in previous years. But if cases are left unchanged this will result in an amendment to the 2015/16 claim.</p> <p>The Council should consider reviewing and resolving this issue before the 2015/16 claim is submitted to avoid audit adjustments.</p>	3	<p>The one amendment made to the claim in 2015/16 was a carry forward of this issue. Although the adjustment was small it could have been avoided if reviewed and addressed before the subsidy claim had been submitted.</p> <p>This issue should now be resolved and should not impact in further years.</p>	<p>Agreed.</p>



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