



Annual Report on grants and returns 2016/17

Sheffield City Council

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Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 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 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £190.8 million.
- Under separate assurance engagements we certified two returns and one arrangement as listed below.

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- 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 4 issues and raised 5 observations. Detail can be found on page 5. We note that the Housing Benefit Subsidy claim is large and complex, therefore it is not unusual for us to identify issues. We understand from management that the Department has accepted the claim without need for follow up or amendment to the grant payable.

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 £25,017 as a result of expenditure misclassification.

One adjustment was required to the Teachers' Pensions Agency return totalling £2,067 as a result of short term pension payments having been mistakenly overstated.

No further adjustments were necessary to the Council's grants and returns as a result of our certification work this year.

Recommendations (Pages 7 – 8)

We have made 2 recommendations to the Council from our work this year and agreed an action plan with officers.

In addition there were 4 recommendations outstanding from previous years' work on grants and returns.

Fees (Page 5)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £19,840, which is in line with the indicative fee set by PSAA. A further fee of £3,422 has been agreed with the Council due to additional work required to be undertaken. This has yet to be approved by PSAA.

Our fees for the other grant/return engagements were subject to agreement directly with the Council and totalled £12,000, which was in line with the prior year.

Summary of reporting outcomes

Overall, we carried out work on 4 grants and returns:

- 3 were unqualified with no amendment; and
- 1 required a qualification to our audit certificate.

Detailed comments are provided overleaf.

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Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 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 possible that the relevant grant paying body might require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate. However, we understand that the Department has confirmed to the Council that the claim has been accepted with no loss of grant.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1	●		●	
Other grant/return engagements					
— Teacher’s Pensions Agency Return	2			●	●
— Pooling Capital Receipt Return	3				●
— SFA Subcontracting	4				●

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.

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Ref	Summary observations	Amendment
1	<p>Housing Benefits Subsidy Claim</p> <p>Qualifications</p> <p>We reported a total of 4 qualifications in our letter dated 29th November 2017.</p> <ol style="list-style-type: none"> 1. NHRA – during our testing of ineligible charges, based on our prior year findings, a further error was discovered. This error was the incorrect gross rent total being used as the basis for a period of housing benefit expenditure. In our initial letter dated 29 November 2017, the total extrapolated error was reported at £10. However, on 03 January the DWP issued communications with the Council that resulted in a revised extrapolation table. The revised total extrapolated error reported in our supplementary qualification letter was £109. This is the first year we have reported this error. 2. Rent Rebates – we reported two issues as follows: <ol style="list-style-type: none"> 1. The earned income had been calculated incorrectly in the benefit calculation resulting in both under and overpayment of benefit. This is the third year we have reported this issue and the total extrapolated error was £11,745. 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 second year we have reported this issue and the total extrapolated impact reported was £271. 2. The earned income had been calculated incorrectly in the benefit calculation resulting in the overpayment of benefit. This is the third year we have reported this issue and the total extrapolated error was £67,481. <p>Observations</p> <p>We reported a total of 5 observations in our letter dated 29th November 2017.</p> <ol style="list-style-type: none"> 1. There was an unreconciled difference of £5.83 between the Capita benefit software and the completed claim form. 2. One case where the incorrect ineligible charges had been applied resulted in an underpayment of benefit. 3. One case where the incorrect deduction of Tax and NI information resulted in an underpayment of benefit 4. One case where tax credits had been calculated manually. These were incorrectly calculated, and resulted in no change to the benefit payment. 5. One case where an overpayment was incorrectly netted off which resulted in an under-claiming of subsidy. 	<p>£25,017 expenditure misclassification</p>

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

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

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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 2016/17 of £19,840. Our actual fee is higher than the indicative fee at £23,262, and this compares to the 2015/16 fee for this claim of £30,025. Following PSAA reassessment the indicative fee for the current year was reduced. As a result of audit findings and additional testing that was required to be carried out we have agreed an additional fee of £3,422 with the Council. This additional fee is still subject to determination by PSAA.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2016/17 were in line with those in 2015/16.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	23,262	30,025
Teacher’s Pensions Agency Return	3,250	3,250
Pooling Capital Receipt Return	2,750	2,750
SFA subcontracting arrangements	6,000	6,000
Total fee	35,262	42,025

Recommendations

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

Priority rating for recommendations						
<p>1 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>2 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>3 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	
Theme heading						
<p>NHRA Incorrect Rent</p> <p>This is the first year we have reported the error of incorrect gross rent being used for NHRA cases.</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 The Council should ensure that all gross rent figures included in benefit calculations are based on timely information.</p>	3	<p>The Benefits contractor is to be instructed to carry out appropriate quality checks in 2017/18.</p>	Jon West – 31 March 2018	
<p>Tax and NI Application</p> <p>This is the first year we have identified the error of incorrect application of tax and NI figures in the benefit calculation which has caused an underpayment 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 Suggestions for improvement include:</p> <ul style="list-style-type: none"> • Conduct refresher training for assessors in the treatment of tax and National Insurance 	3	<p>Refresher training undertaken in March/April 2017 was too late to impact on 2016-17 assessments however it is expected to have a positive impact on 2017-18 assessments. Benefits contractor to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>	Jon West – 31 March 2018	

Prior year recommendations

We made 5 recommendations in our 2015/16 Certification of Grants and Returns Annual Report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation	Priority	Status as at February 2018	Management comments
Theme heading			
<p>1 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 19 claimants that were paid incorrect housing benefits due to incorrect calculations of their weekly income.</p> <p>The Council should remind assessors to use standard templates when calculating taxable income.</p>	<p>2</p>	<p>We found further errors in the 2016/17 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>Guidance issued and refresher training undertaken in March/April 2017 was too late to impact on 2016-17 assessments however it is expected to have a positive impact on 2017-18 assessments. Benefits contractor to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>
<p>2 NHRA Ineligible charges</p> <p>We have reported for a number of years on the miscalculation of ineligible charges in benefit calculations.</p>	<p>3</p>	<p>We found one further error in the 2016/17 certification in the NHRA testing.</p> <p>Suggestions for improvement include:</p> <ul style="list-style-type: none"> Conduct refresher training for assessors in the calculation of ineligible charges 	<p>Only one error was identified resulting in an underpayment of one pence. This shows an improvement on the 9 errors found in the previous year. Benefits contractor to take appropriate steps to ensure staff follow guidance on calculating these charges including training as required.</p>

Prior year recommendations (cont.)

Prior year recommendation	Priority	Status as at February 2018	Management comments
<p>3 Additional Earnings disregard</p> <p>This is a complex area of the benefit calculation and we identified 2 cases where the disregard had been incorrectly applied to the benefit calculation.</p>	<p>2</p>	<p>We found an additional two further errors in the 2016/17 certification in the 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 additional earnings disregard; and • Conduct refresher training for assessors in the application of disregards 	<p>Guidance issued in March/April 2017 was too late to impact on 2016-17 assessments however it is expected to have a positive impact on 2017-18 assessments. Benefits contractor to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>
<p>Working Tax Credit/ child Tax credit</p> <p>We identified 1 case where the WTC/CTC had been manually input into the benefit calculation incorrectly.</p>	<p>3</p>	<p>The council should undertake a process of review of assessors' work to focus on the manual input of WTC/CTC.</p>	<p>The case identified had no impact on subsidy and shows an improvement on the 4 cases identified in the previous year. However, the benefits contractor is to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>

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