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Eugene Walker  
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Our ref

9 December 2014

Dear Eugene

#### **Certification of claims and returns - annual report 2013/14**

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

<b>Claim/return</b>	<b>Certified value (£'000)</b>
BEN01 – Housing Benefit subsidy claim	195,998
CFB06 – Pooling of Housing Capital Receipts	2,709
<b>Total</b>	<b>198,710</b>

#### **Matters arising**

Our certification work did not identify any issues or errors with the Pooling of Housing Capital Receipts claim, and we certified this claim unqualified without amendment.

We did however qualify the Council's Housing Benefit subsidy claim, as well as agreeing several amendments. A summary of the items included in the qualification letter (QL) or for which the claim form was amended are included below. It should be noted however that given the scale and complexity of this claim, the qualifications and amendments were for relatively

minor amounts and issues. However DWP rules require that all issues are reported or amended regardless of size.

Summary of Issue	Amount (£'000)	Response
Errors in calculation of backdated benefits	49	Not adjusted - included in QL
Very minor error in board and lodging assessments (service charges entered at incorrect rate)	< 1	Not adjusted - included in QL
Incorrect updating of prior year's rent	Underpayment see note 1	Not adjusted - included in QL
Incorrect inclusion of state benefit income in assessment	Underpayment see note 1	Not adjusted - included in QL
Incorrect tax code information used	119	Not adjusted - included in QL
Record keeping – fewer payslips retained on file than required by DWP rules	N/A	Not adjusted - included in QL
Error in the split of board and lodging benefit above and below the weekly cap	2	Claim amended
Amounts wrongly included in cell 38 (backdated expenditure)	2	Claim amended
LHA 2 bedroom rate not updated on re-assessments	4	Claim amended
Incorrect dates entered on overpayment adjustments	< 1	Claim amended

**Note 1** For underpayments, under DWP instructions, we do not calculate the value of the underpayment.

Generally items are included in qualification letters, rather than the claim form being amended, if the effect of the errors found can only be extrapolated from a sample of cases tested. If the error can be determined with certainty (normally because the whole population affected can be identified and tested) the claim form is amended.

For the areas where we identified errors we recommend that the Authority and Capita ensures that these errors are communicated to staff, stressed in future staff training, and covered in quality control checks. Our specific recommendations are set out in Appendix 1.

**Progress against last year's recommendations**

In our 2012/13 Certification Annual Report we raised eight recommendations, seven of which related to improving the accuracy of the Council's Housing Benefits claim. Of these seven, for six we are satisfied that the Council has improved its arrangements and addressed the

recommendations. One recommendation in relation to eliminating errors on backdated assessments remains unaddressed, as we found errors in this area again in 2013/14.

In 2012/13 we commented that the Authority and Capita should improve arrangements for responding to auditor queries promptly and providing complete and robust responses to issues identified by the auditor. We found this year that the arrangements worked much better, with prompt and complete responses received. However we did note that Capita has limited capacity and resilience to support the certification of the claim, with one officer being the single point of contact and providing the responses to auditor queries. We have therefore recommended that the Authority and Capita should consider how to improve resilience and capacity.

One recommendation related to the Teachers' Pensions Returns that is no longer certified within the Commission regime, and we have not included our follow up of the Council's progress in implementing this recommendation within this report. Full details are included in Appendix 2.

#### Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £38,464. Our actual fee was the same as the indicative fee, and this compares to the 2012/13 fee for claims of £39,870. The indicative fee for the housing benefits claim rose from the prior year, despite the removal of council tax testing because of the need to conduct additional testing to cover the issues arising from prior year's audits.

The details are set out in the table below.

Claim	2013/14 Indicative fee (£)	2013/14 Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	34,001	34,001	30,060
CFB06 – Pooling of Housing Capital Receipts	4,463	4,463	3,940
National non domestic rates (no claim in 13/14)	-	-	2,180
Teacher's Pensions (claim outside the Audit Commission regime in 2013/14)	-	-	3,690
<b>Total</b>	<b>38,464</b>	<b>38,464</b>	<b>39,870</b>

Yours sincerely

Sue Sunderland  
Director

### Appendix 1 – 2013/14 Certification of Claims and Returns Action Plan

Priority rating for recommendations				
❶	❷	❸		
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.	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.	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.		
Number	Issue	Recommendation		
1	Housing Benefits Incorrect tax code information used in assessments	The Authority / Capita should reinforce this area when training staff, and carry out specific quality checks to reduce the number of errors.		
2	Errors in calculation of backdated benefits	The Authority / Capita should reinforce this area when training staff, and carry out specific quality checks to reduce the number of errors.		
3	The numbers of payslips retained are fewer than required by DWP	The Authority / Capita should reinforce this requirement when training staff and carry out specific quality checks to ensure sufficient payslips are being retained.		
4	Various other minor errors found during our testing	The Authority / Capita should note these errors.		
5	Limited resilience and capacity at Capita, as all our benefits testing is supported by one officer.	The Authority should discuss with Capita how resilience and capacity can be increased in future years.		
Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
1	Housing Benefits Incorrect tax code information used in assessments	The Authority / Capita should reinforce this area when training staff, and carry out specific quality checks to reduce the number of errors.	2	
2	Errors in calculation of backdated benefits	The Authority / Capita should reinforce this area when training staff, and carry out specific quality checks to reduce the number of errors.	3	
3	The numbers of payslips retained are fewer than required by DWP	The Authority / Capita should reinforce this requirement when training staff and carry out specific quality checks to ensure sufficient payslips are being retained.	3	
4	Various other minor errors found during our testing	The Authority / Capita should note these errors.	3	
5	Limited resilience and capacity at Capita, as all our benefits testing is supported by one officer.	The Authority should discuss with Capita how resilience and capacity can be increased in future years.	3	



Appendix 2 – Follow up of 2012/13 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at November 2014
	<b>HOUSING BENEFITS</b>		
1	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.	Medium	<b>Completed.</b> System reports run, and we found no errors in our testing of this area in 2013/14.
2	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.	Medium	<b>Completed.</b> We found no errors found in our testing of this area in 2013/14.
3	The Authority/Capita should strengthen quality review procedures to ensure that the number of overpayment misclassifications is minimised.	Medium	<b>Completed.</b> We found no errors when testing this area in 2013/14.
4	The Authority/Capita should review cases with subsidy entries recorded in both cell 102 and cell 103 to check correct classification.	Medium	<b>Completed.</b> The Authority ran an interrogation to review this area before submitting the claim form, and amended for the errors detected.
5	The Authority /Capita should identify why backdate misclassifications have occurred and take appropriate action to ensure that similar errors are avoided in future.	Low	<b>Outstanding.</b> Errors on backdating still occurred on the 2013/14 claim.
6	Authority/Capita to improve arrangements for responding to auditor queries promptly and providing complete and robust responses to issues identified by the auditor.	Medium	<b>Completed.</b> Arrangements improved for 2013/14, with responses to auditor queries being much more timely. These responses do generally still rely on one officer at Capita though, which raises issues of resilience and capacity.
7	Authority and auditors to agree list of working paper requirements before compilation of the 2013/14 subsidy claim.	Medium	<b>Completed.</b> Working papers were agreed, and were provided in a timely fashion.



8	<b>TEACHERS' PENSIONS</b> The Council should obtain appropriate assurances from third party providers that the system of tiered contributions has been implemented successfully.	Medium	This claim is now outside the Audit Commission regime, so this recommendation has been followed up as part of that work, and findings will be reported to officers separately.
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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. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sue Sunderland, who is the engagement leader to the Authority (telephone 0115 945 4490 e-mail [sue.sunderland@kpmg.co.uk](mailto:sue.sunderland@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 444 8330.

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