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Our ref tc/sg/ar

18 February 2016

Dear Simon

Certification of claims and returns - annual report 2014/15

Public Sector Audit Appointments (PSAA) 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 2014/15.

In 2014/15 we carried out certification work on the Housing Benefit Subsidy claim only. The certified value of the claim was £11.7 million, and we completed our work and certified the claim on 30/11/2015.

Matters arising

Our certification work on Housing Subsidy Benefit claim resulted in a small amendment of £270 and was subject to a qualification letter.

The claim was amended to correct errors relating to the assessment of the following cases:

- Rent Allowance modified scheme;
- Rent Allowance childcare costs; and
- Non-Housing Revenue Account.

Following 100% testing of these cases, undertaken by your officers, an amendment to the claim of £270 was made.

A qualification letter was also required, due to a number of issues including:

- Rent Allowance - inclusion of incorrect earnings in the benefit entitlement calculations;

- Rent Allowance - misclassification of maximum rent expenditure; and
- Rent Allowance - incorrect application of LHA rate for a number of cases due to a benefit software issue.

As the authority had not assessed the impact of this latter issue on the 2014/15 claim the Department required the authority to undertake further work on this issue to assess the full impact on the 2014/15 claim, and to advise the Department accordingly. The Authority undertook further work and reported to the Department on 28 January 2016 that this issue had no impact on the subsidy. We completed additional work and issued our supplementary report confirming the Authority's conclusion as required by the Department.

We have made one recommendation to the Authority to improve its claims completion process, which is included in Appendix 1.

In our 2013/14 Certification Annual Report we raised one recommendation relating to the improvement of claims completion process for cases with earnings, which is outstanding as at December 2015 and has been included in 2014/15 recommendation.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2014/15 of £16,270. Our actual fee of £20,890 was higher than the indicative fee due to the additional testing completed as a result of the errors discovered. This actual fee compares to the 2013/14 fee for this claim of £19,113.

Claim	2014/15 Indicative fee (£)	2014/15 Estimated Final fee (£)	2013/14 Final fee (£)
BEN01 – Housing Benefit subsidy claim	16,270	20,890	19,113

The fee variation request of £4,620 is currently with PSAA for approval, and so the fee is still an estimate rather than an agreed final fee.

Yours sincerely

Tony Crawley
Director

Appendix 1 – 2014/15 Certification of Claims and Returns Action Plan

Priority rating for recommendations		
<p>❶ 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>❷ 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>❸ 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>

Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
1	The inclusion of incorrect claimant's data included in the benefit entitlement calculations. This is a recurring issue from 2013/14 relating to earnings.	Review and improve the process for the inclusion of claimant's data in the benefit entitlement calculations to reduce the level of errors being repeated in subsequent years.	❷	

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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.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 Tony Crawley, 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, by email to andrew.sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing 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.