



KPMG LLP
Public Sector Audit
1 St. Peter's Square
Manchester
M2 3AE
United Kingdom

Tel +44 (0) 161 246 4000
Fax +44 (0) 161 246 4040
DX 724620 Manchester 42

Ms N Muschamp
Chief Officer (Resources)
Lancaster City Council
Town Hall
Dalton Square
Lancaster
LA1 1PJ

Our ref **RL/016/**
Contact **Richard Lee**
0161 246 4661

22 February 2015

Dear Nadine

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:

Claim/return	Certified value (£)
BEN01 – Housing Benefit Subsidy claim	42,549,454
CFB06 – Pooling of Housing Capital Receipts	428,220
Total	42,977,674

Matters arising

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

A qualification was necessary for the Housing Benefit Subsidy claim as our sample testing found cases where the Council had misclassified or made incorrect benefit payments. The errors we identified are set out in the table below.

Ref	Summary observations
1	<p>Incorrect classification of overpayment of benefit</p> <p>Our initial sample identified:</p> <ul style="list-style-type: none"> ➤ 1 case (total value £302) where the Authority had incorrectly classified an overpayment as an eligible overpayment, rather than an LA error and administrative delay overpayment. <p>Testing of an additional sample of 40 cases identified:</p> <ul style="list-style-type: none"> ➤ 4 additional cases (total value of £580) which featured an overpayment which had been incorrectly classified as eligible.
2	<p>Incorrect calculation of rent officer's determination</p> <p>Our initial sample identified:</p> <ul style="list-style-type: none"> ➤ 1 case (total value £120) where the rent officer's determination had not taken into consideration ineligible costs. The maximum weekly benefit therefore included ineligible costs. <p>Testing of an additional sample of 40 cases identified:</p> <ul style="list-style-type: none"> ➤ 1 case (total value £56) where the rent officer's determination had not taken into considerations ineligible costs.
3	<p>Application of tax credits</p> <p>Our initial sample identified:</p> <ul style="list-style-type: none"> ➤ 1 error where a weekly tax credit was included in the calculation as if it were a 4 weekly tax credit therefore understating the claimant's income for the purpose of calculating benefit. <p>Testing of an additional sample of 40 cases identified no further errors.</p>
4	<p>Application of rent increases</p> <p>Our initial sample identified:</p> <ul style="list-style-type: none"> ➤ 1 error where a claimant's rent increased in the year but was not reflected in the benefit awarded, therefore the authority did not increase the benefit resulting in an underpayment of £44.19

No adjustments were made for the errors identified as given the nature of the population and the error found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that it is fairly stated.

The Audit Commission's certification requirements mandate that any unadjusted error, regardless of its value, is reported and that a 'zero materiality' threshold is applied.

Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £10,589. Our actual fee was higher than the indicative fee, and this compares to the 2012/13 fee for these claims of £12,630. The fee is higher than the indicative fee as the amount of work and time required to certify the claim was much greater due to an increase in the number of errors.

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	9,459	12,606	11,500
CFB06 – Pooling of Housing Capital Receipts	1,130	1,130	1,130
Total	10,589	13,736	12,630

Yours sincerely

Tim Cutler
Partner

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 Tim Cutler, who is the engagement leader to the Authority (telephone 0161 246 4774, e-mail tim.cutler@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) 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. Their telephone number is 0303 444 8330.