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Dear Daniel

Lancaster City Council - Certification of claims and returns - annual report 2017/18

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2017/18.

In 2017/18 we carried out certification work on two claims:

- The Housing Benefit Subsidy claim. The certified value of the claim was £30.2 million, and we completed our work and certified the claim on 29 November 2018.
- The Pooling of Housing Capital Receipts return. The total housing capital receipts subject to pooling for 2017/18 was £1.1 million, and we completed our work and submitted our report to the Ministry of Housing, Communities and Local Government on 18 January 2019.

Housing Benefit Subsidy

Matters arising

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.

Our work identified two errors relating to our testing of Rent Allowances cases:

- one case where the calculation of claimant earnings was not completed correctly, resulting in an underpayment of benefit. Although the error identified in our initial testing gave rise to an underpayment of benefit, the nature of the error was such that it could also have created overpayment of benefit if the error were to be repeated in other cases. Therefore we undertook additional testing to establish the rate of error across the population of cases. Our additional testing identified one case where the incorrect calculation of claimant earnings had resulted in an overpayment of benefit of £2. We were therefore unable to conclude that this error was isolated; and
- one case where an incorrect dependants' allowance was applied to the claim, resulting in an underpayment of benefit. As our additional testing did not identify any further such claims, we concluded that this error was isolated.

As we were unable to confirm that the first error type was isolated throughout the population of Rent Allowance claims, we issued a qualification letter in respect of this claim on 29 November 2018.

We have not made any recommendations to the Authority to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

Pooling of Housing Capital Receipts return

Matters arising

Our other grants certification work completed during 2017/18 was in relation to the Ministry of Housing, Communities and Local Government (MHCLG) Pooling of Housing Capital Receipts return.

We did not identify any exceptions or errors in relation to the return, and we submitted our report in respect of this return to the MHCLG on 18 January 2019.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in relation to the Housing Benefit Subsidy claim for 2017/18 of £9,573. Our actual fee was the same as the indicative fee, and this was also consistent with the 2016/17 fee for this claim.

Our fee for the assurance engagement over the Pooling of Housing Capital Receipts return was subject to agreement directly with the Council, and was £3,000 for 2017/18. This is consistent with the fee for this work in 2016/17.

Other fees – financial statements audit 2017/18

Following the completion of our financial statements audit for 2017/18, we agreed with the Council on 3 October 2018 a proposed increased fee, through a fee variation to be agreed with Public Sector Audit Appointments, of £2,271 in respect of our 2017/18 audit. This additional fee relates to the audit time required to address two specific matters arising during the audit: adjustments required to the treatment of the up-front pension contribution in the draft Statement of Accounts, and the Prior Period Adjustment relating to historic asset valuation basis.

This additional fee has now been agreed with Public Sector Audit Appointments, and means that our final fee for the 2017/18 financial statements audit is £60,659, compared with an original fee of £58,388.

Yours sincerely



Tim Cutler
Partner, KPMG LLP



This report is addressed to the Council and has been prepared for the sole use of the Council. 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 Tim Cutler, 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.