



Annual Report on grants and returns 2017/18

London Borough of Tower Hamlets

February 2019



Contents

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	Page
Headlines	3
Summary of certification work outcomes	5
Fees	7

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Introduction and background

This report summarises the results of work we have carried out on the Council's 2017/18 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 2017/18 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2017/18 Housing Benefit Subsidy claim. This had a value of £255.4 million.
- Under separate engagements we issued reports on two claims/returns as listed below:
 - Teachers' Pensions Return (total contributions paid were £25.7 million); and
 - Pooling of Housing Capital Receipts return (total housing receipts subject to pooling were £26.2 million).

Certification and assurance results (Pages 5-6)

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.

- Our testing of 140 cases (60 initial cases and two sets of 40 additional cases) identified seven HRA rent rebates cases and one non-HRA case with errors. Four errors resulted in an underpayment of subsidy (or there was no impact on subsidy paid) and four errors resulted in an over payment of £17,748.
- The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £73,834. Whilst a final determination is awaited from the DWP, the nature of the error means that it is not expected that the extrapolated error will affect the amount of subsidy payable to the Council.
- In the previous year we tested 100 cases (60 initial cases and 40 additional cases) and identified two cases with errors. The extrapolated error value was £11,262.

Our work to complete 'Agreed Upon Procedures' (AUP) on the *Pooling of Housing Capital Receipts* return included testing of entries specified by the Ministry for Housing, Communities and Local Government (MHCLG) as follows:

- total receipts received by the Council in the relevant quarter arising from disposal of dwellings under Right to Buy (RTB) or any other disposal to which the Schedule to Regulations applies;
- total receipts received by the Council in the relevant quarter arising from disposals of dwellings made before 01 April 2012 under RTB or equivalent provision;
- number of sales made by the Council in the relevant quarter to which the Schedule applies;
- quarterly attributable debt for the relevant quarter; and
- actual amount of new-build expenditure between 01 April 2017 and 31 March 2018.

Headlines

Our completion of the AUPs work on the Pooling of Housing Capital Receipts return assurance engagement did not raise any matters for the MHCLG's attention.

No issues were identified in relation to the 2016/17 Return.

Our work to complete AUPs on the *Teachers' Pensions* return followed the instructions issued by the Teachers' Pensions agency (TP) and included:

- completing a comparison of the actual employee's and employer's contributions included in the return with the expected value using the contributory salary reported in the return for each tier (ie the teachers' pensions scheme has six tiers related to salary with different contribution rates for each);
- sample testing confirming that contributory salaries have been extracted correctly from payroll records, teachers' contributions have been deducted at the appropriate rate, employer's contributions have been calculated correctly and where relevant that 'other' contributions had been dealt with correctly; and
- completing testing in relation to any refunds of contributions made to teachers.

We reported exceptions when completing the comparison of the actual employee's and employer's contributions included in the Return with the expected value using the contributory salary reported in the Return for each Tier. This procedure identified differences in 11 cases (the differences are between £0.70 and £30.22 and total value of £185). The Council considers these to be caused by rounding differences. No adjustment was necessary for this matter.

We did not report any other matters to the TP as a result of completing the specified AUPs.

Our work on the 2016/17 Return identified similar small differences when completing the comparison of the actual employee's and employer's contributions (total difference was £110). No amendments were made to the Teachers' Pensions return in 2016/17.

Recommendations

We have not made any recommendations to the Council from our work this year or last year.

Fees (Page 7)

Our fee for certifying the Council's 2017/18 Housing Benefit Subsidy grant was £20,327, which is in line with the indicative fee set by PSAA.

Our fee for the Teachers' Pensions Return was subject to agreement directly with the Council and was £3,750.

Our fee for the Pooling of Housing Capital Receipts Return was subject to agreement directly with the Council and was £3,250.

Summary of reporting outcomes

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

- One was unqualified with no amendment;
- One required a report to be sent to the grant paying body; and
- One required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2017/18 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 likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Issues reported	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other grant/return engagements					
— Teachers’ Pensions Return	2				
— Pooling of Housing Capital Receipts Return	3				
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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.

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> — The Council’s 2017/18 Housing Benefit Subsidy claim has a value of £255.4 million. — Our initial testing of 60 cases (20 each from Non-HRA; HRA; and Rent Allowances) identified one case with an error relating to non-HRA Rebates. The error resulted in an under payment of benefit. — As a consequence of the error and errors found in 2016/17 relating to HRA rebates, the DWP requires the auditor to undertake additional testing. Our additional testing of 40 HRA cases identified seven errors. No further errors were identified from the additional 40 non-HRA rebate cases. Of the seven errors for HRA rebates, four resulted in an overpayment of benefits. — The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £78,834. We reported the position to the DWP in the form of a qualification to the claim. No amendment was made to the claim for the error identified or the extrapolation. Whilst a final determination is awaited from the DWP, the nature of the error means that it is not expected that the extrapolated error will affect the amount of subsidy payable to the Council. 	NIL
2	<p>Teachers’ Pensions Return</p> <ul style="list-style-type: none"> — When completing the comparison of the actual employee’s and employer’s contributions included in the Return with the expected value using the contributory salary reported in the Return for each Tier we identified differences in 11 cases (the differences are between £0.70 and £30.22 and the total value of the differences is £185). The Council considers these to be caused by rounding differences. No adjustment was necessary for this matter. — We did not report any other matters to the TP as a result of completing the specified AUPs. 	NIL
3	<p>Pooling of Housing Capital Receipts Return</p> <ul style="list-style-type: none"> — The Return was certified with an unqualified reporting accountants’ report. 	NIL

Fees

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.

The overall fees we charged for carrying out all our work on grants/returns in 2017/18 was **£27,327**.

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 2017/18 of £20,327. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £22,838.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2017/18 were in line with those in 2016/17.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2017/18 (£)	2016/17 (£)
Housing Benefit Subsidy claim	20,327	22,838
Teachers' Pensions Return	3,750	3,750
Pooling of Housing Capital Receipts Return	3,250	3,250
Total fee	27,327	29,838



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