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KPMG Annual Report on grants and returns work 2014/15

London Borough of Tower Hamlets

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<p>Introduction and background</p>	<p>This report summarises the results of work we have carried out on the Council’s 2014/15 grant claims and returns.</p> <p>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 2014/15 is:</p> <ul style="list-style-type: none"> ■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council’s 2014/15 Housing Benefit Subsidy claim. This had a value of £262.7 million. ■ Under separate assurance engagements we certified two claims/returns as listed below. <ul style="list-style-type: none"> – Pooling of Housing Capital Receipts (£29.3 million) – Teachers’ Pensions Return (£26.2 million). 	<p>-</p>
<p>Certification results</p>	<p>Our work on the Council’s Housing Benefit Subsidy claim was subject to a qualification letter.</p> <ul style="list-style-type: none"> ■ The claim was subject to a qualification letter. The issues raised related to testing errors identified from work undertaken on the claim as summarised below: <ul style="list-style-type: none"> • HRA Rent Rebates <p>Initial and additional sample testing identified seven cases with errors (out of 60 tested) all relating to the incorrect calculation of claimant income. Six of the errors resulted in an underpayment of benefit or had no value impact. They did not affect subsidy and therefore were not classified as errors for subsidy purposes. The remaining case resulted in an over claim of benefit subsidy. The error was small and after extrapolation (as required by the Department for Work and Pensions) the error was £5,200.</p> • Rent Allowances <p>Initial and additional sample testing identified four cases with errors (out of 60 tested) all relating to the incorrect calculation of claimant income. All four of the errors resulted in an underpayment of benefit or had no value impact. They did not affect subsidy and therefore were not classified as errors for subsidy purposes.</p> <p>Our work on the other grant assurance engagements resulted in the following reports:</p> <ul style="list-style-type: none"> ■ The Pooling of Housing Capital Receipts was certified without qualification, although our report included an observation relating to the classification of one of the dwellings sold as a high rise flat that should have been classified as a medium rise flat. ■ The Teachers’ Pensions Return was certified without qualification, although our report included an observation that one of the teachers in our sample did not appear on the Teachers’ Pensions Authority (TPA) ‘employer portal’. 	<p>Pages 4 – 5</p>

<p>Audit adjustments</p>	<p>No adjustments were necessary to the Council’s grants and returns as a result of our certification work this year.</p>	<p>Pages 4 – 5</p>
<p>Fees</p>	<p>The indicative fee for our work on the Council’s 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £30,450. The actual fee for this work was £30,450.</p> <p>Our fees for the other ‘assurance’ engagements were subject to agreement directly with the Council and were £6,500 in total:</p> <ul style="list-style-type: none"> – Pooling of Housing Capital Receipts (£3,000) – Teachers’ Pensions Return (£3,500). 	<p>Page 6</p>

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

- Two were unqualified but included an ‘other’ observation; 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 2014/15 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	Significant adjustment	Minor adjustment	Other observations	Unqualified
Public Sector Audit Appointments arrangements						
■ Housing Benefit Subsidy	1					
Other assurance engagements						
■ Pooling of Housing Capital Receipts	2					
■ Teachers’ Pensions Return	3					
		1	0	0	2	2

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 claim was subject to a qualification letter. The issues raised related to testing errors identified from work undertaken on the claim as summarised below: <ul style="list-style-type: none"> • HRA Rent Rebates <p>Initial and additional sample testing identified seven cases with errors (out of 60 tested) all relating to the incorrect calculation of claimant income. Six of the errors resulted in an underpayment of benefit or had no value impact. They did not affect subsidy and therefore were not classified as errors for subsidy purposes. The remaining case resulted in an over claim of benefit subsidy. The error was small and even after extrapolation (as required by the Department for Work and Pensions) the error was only £5,200.</p> • Rent Allowances <p>Initial and additional sample testing identified four cases with errors (out of 60 tested) all relating to the incorrect calculation of claimant income. All four of the errors resulted in an underpayment of benefit or had no value impact. They did not affect subsidy and therefore were not classified as errors for subsidy purposes.</p>	NIL
2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> ■ The Pooling of Housing Capital Receipts was certified without qualification, although our report included an observation that one of the Right to Buy sales had been incorrectly entered as a high rise flat in the Department for Communities and Local Government's quarterly 'input data' worksheet. It should have been classified as a medium rise flat. 	NIL
3	<p>Teachers' Pensions Return</p> <ul style="list-style-type: none"> ■ The Teachers' Pensions Return was certified without qualification, although our report included an observation that one of the teachers in our sample did not appear on the TPA Employer Portal. We noted that the Authority had collected the employee and employer pension deductions correctly through-out 2014/15 and paid them across to the TPA. We understand that the Authority has now updated the TPA Employer Portal with the teacher's details. 	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 2014/15 was **£36,950**.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	30,450	27,102
Pooling of Housing Capital Receipts	3,000	953
Teachers' Pensions Return	3,500	3,500
Total fee	36,950	31,555

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 2014/15 of £30,450. Our actual fee was the same as the indicative fee, and this compares to the 2013/14 fee for this claim of £27,102 in 2013/14. For comparison the fee was £34,606 in 2012/13.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2014/15 were:

- The same as in 2013/14 for the Teachers' Pensions Return.
- For the Pooling of Housing Capital Receipts Return the 2013/14 fee reflects 'Part A' testing only under the previous Audit Commission regime. In 2014/15 the certification of the return was required by the Department for Communities and Local Government (DCLG) and was outside of the Public Sector Audit Appointments regime. DCLG required additional substantive testing as part of its certification requirements in 2014/15, hence the increased fee.



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