



Annual Report on grants and returns 2016/17

London Borough of Tower Hamlets

December 2017



Contents

The contacts at KPMG in connection with this report are:

Andrew Sayers Partner

KPMG LLP (UK)

Tel: +44 (0)207 694 8981
andrew.sayers@kpmg.co.uk

Antony Smith Manager

KPMG LLP (UK)

Tel: +44 (0)207 311 2355
antony.smith@kpmg.co.uk

	Page
Headlines	3
Summary of certification work outcomes	5
Fees	7

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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document 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 [Andrew Sayers, the engagement lead to the Authority and the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, who will try to resolve your complaint. After this, in relation to the certification of the Housing Benefit Subsidy grant claim, 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.

Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 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 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £268 million.
- Under separate engagements we issued reports on two claims/returns as listed below.
 - Teachers' Pensions Return (total contributions paid were £28.3 million); and
 - Pooling of Housing Capital Receipts return (total housing receipts subject to pooling were £41.9 million).

Certification and assurance results (Pages 3-4)

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 100 cases (60 initial cases and 40 additional cases) identified three cases with errors. Two errors resulted in an underpayment of subsidy and one in an over payment of £77.48.
- The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £11,262. 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. One of the errors resulted in an underpayment of subsidy and one in an over payment of £58.45. The extrapolated error value was £2,587.

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

- total expenditure incurred by the Council in buying a relevant interest in the relevant quarter;
- 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 2016 and 31 March 2017.

Headlines

Our completion of the AUPs work on the Pooling of Housing Capital Receipts return assurance engagement resulted in an unqualified conclusion such that, based upon the work performed, in our opinion, the entries in the return specified by the DCLG had been prepared, in all material respects, in accordance with the regulations underpinning the Pooling of Housing Capital Receipts scheme.

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 a 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.

For the first AUP above (comparing 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) the TP allowed no tolerance. Consequently, we reported very small differences for several tiers (£110 in total on combined contributions of £28.3 million) along with the Council's explanation of what has caused them.

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

No adjustments were necessary to the Council's grants and returns as a result of our certification work this year.

There was one minor adjustment to the Pooling of Housing Capital Receipts return in 2015/16 relating to the 'Quarterly Attributable Debt' for Quarter 3.

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 2016/17 Housing Benefit Subsidy grant was £22,838, 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 2016/17 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	Issue reported	Minor adjustment	Unqualified/no issues reported
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other grant/return engagements					
— Teachers’ Pensions Return	2				
— Pooling of Housing Capital Receipts Return	3				
		1	1	0	1

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 2016/17 Housing Benefit Subsidy claim has a value of £268 million. — Our initial testing of 60 cases (20 each from Non-HRA; HRA; and Rent Allowances) identified one case with an error relating to HRA Rebates. The error resulted in an over payment of £77.48. — As a consequence of the errors the DWP requires the auditor to undertake additional testing. Our additional testing of 40 HRA cases identified two further errors. Both errors resulted in an underpayment of subsidy. — The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £11,262. 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"> — The AUP requiring 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 allows no tolerance. Consequently, we reported very small differences for ten of the 12 entries in this section of the return (the total difference was £110 on combined contributions of £28.3 million). The TP also required the Council to explain what has caused the differences and these were included in our report to the TP. — 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 2016/17 was £29,838.

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 2016/17 of £22,838. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £20,327.

The reason the fee has increased is caused by the methodology used by Public Sector Audit Appointments to set the scale fee, as it uses the fee from 2014/15 as the base. Thus the scale fee for 2014/15 and 2016/17 is £22,838, whereas the scale fee for 2015/16 and 2017/18 is £20,327.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2016/17 were in line with those in 2015/16. The reason for the small increase for the Teachers' Pensions Return was due to additional testing needed to meet the TPs AUP requirements.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	22,838	20,327
Teachers' Pensions return	3,750	3,500
Pooling of Housing Capital Receipts return	3,250	3,250
Total fee	29,838	27,027



kpmg.com/uk



© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.