



Annual Report on grants and returns 2016/17

London Borough of Harrow

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Contents

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Headlines

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 was:

- 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 £150 million.
- Under separate engagements we issued reports on two claims/returns as listed below.
 - Teachers' Pensions Return (total contributions paid were £11.0 million); and
 - Pooling of Housing Capital Receipts return (total housing receipts subject to pooling were £5.9 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 four HRA rent rebates cases with errors. Three of the errors resulted in an underpayment of subsidy and one in an over payment of £1,461.98.
- The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £73,908. 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 three cases with errors. The extrapolated error value was £12,903. There was also a £241 amendment due to an error with uncashed cheques.

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 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 sample testing of 25 teachers, we identified two issues affecting four teachers:

- One teacher who left, did not have pension deductions made for their last day of employment (employee deductions £21.03 and employer contributions £30.67). The Council has reminded staff to follow the system workflow requirements and the Council has made a payment to amend the error; and
- For three teachers included in the return, with 'irregular' hours (eg supply teachers), we noted that they were not included as 'active' on the TP Portal. The Council is looking in more detail at consistency of its teacher's pensions records and the TP Portal information.

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 were minor adjustments to the Housing Subsidy Benefit claim and Teachers' Pensions return in 2015/16.

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 £20,423, 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 £3,500.

Our fee for the Pooling of Housing Capital Receipts Return was subject to agreement directly with the Council and was £3,500.

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				
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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 2016/17 Housing Benefit Subsidy claim has a value of £150 million. — Our initial testing of 60 cases (20 each from Non-HRA; HRA; and Rent Allowances) did not identify any errors. — As a consequence of the errors in 2015/16, the DWP requires the auditor to undertake additional testing. Our additional testing of 40 HRA cases identified four cases with errors. Three of the errors resulted in an underpayment of subsidy; but one of the errors identified an overpayment of subsidy (value £1,461.98). — The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £73,908. 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"> — For the sample testing of 25 teachers, we identified two issues affecting four teachers: <ul style="list-style-type: none"> • One teacher who left, did not have pension deductions made for their last day of employment (employee deductions £21.03 and employer contributions £30.67). The Council has reminded staff to follow the system workflow requirements and the Council has made a payment to amend the error; and • For three teachers included in the return, with ‘irregular’ hours (eg supply teachers), we noted that they were not included as ‘active’ on the TP Portal. The Council is looking in more detail at consistency of its teacher’s pensions records and the TP Portal information. Also for the future the Council is revising its processes by completing monthly returns in the future, rather than relying on the annual return. — 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 £27,423.

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 £20,423. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £27,735.

The reason the fee has changed 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 £20,423, whereas the scale fee for 2015/16 and 2017/18 is £27,735.

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 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	20,423	27,735
Teachers' Pensions return	3,500	3,000
Pooling of Housing Capital Receipts return	3,500	3,500
Total fee	27,423	34,235



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