



# Annual Report on grants and returns 2017/18

**London Borough of Harrow**

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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 £146.7 million.
- Under separate engagements we issued reports on two claims/returns as listed below:
  - Teachers' Pensions Return (total contributions paid were £10.9 million); and
  - Pooling of Housing Capital Receipts return (total housing receipts subject to pooling were £5.9 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 100 cases (60 initial cases and 40 additional cases) identified two HRA rent rebates cases with errors. One error resulted in an underpayment of subsidy and one in an over payment of £1.30.
- The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £17. 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 four cases with errors. The extrapolated error value was £73,908.

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 commented that we had identified a minor error. The amount of receipts received from mortgages for properties sold prior to 2012 was understated by £464. Other than this we did not report any other matters of concern to the MHCLG.

We understand that the Council has amended the claim and will address the shortfall in receipts payable to MHCLG as part of the Quarter 3 return for 2018/19.

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 12 cases (the differences are between £1.49 and £1,154.93). The Council considers these to be caused by the cumulative effect of monthly overpayments (which did not exceed monthly tolerance levels) for one case; and rounding differences for the other 11 cases.

In addition, for the sample testing of 20 teachers, we identified one issue:

- For one teacher we identified that the employee pension deduction was incorrect. For the month tested (May 2017) the employee deductions were made at 8.6% (£93.82), but the rate should have been 7.4% (£80.73). Therefore the teacher has overpaid their pension contribution by £13.09 for May 2017.

No adjustment was necessary for the first matter and the Council was intending to rectify the error for the employee's deductions at the earliest opportunity ie as part of the December 2018 monthly return.

Our work on the 2016/17 Return identified four errors from the sample testing: one relating to incorrect deduction for a teacher leaving; and three relating to teachers with an incorrect status being recorded on the TP Portal system. 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 £27,735, 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 included exceptions that required reporting to the grant paying body;
- One required minor adjustments; 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
<b>Public Sector Audit Appointments regime</b>					
— Housing Benefit Subsidy	1	●			
<b>Other grant/return engagements</b>					
— Teachers’ Pensions Return	2		●		
— Pooling of Housing Capital Receipts Return	3			●	
		1	1	1	0

# 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><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>— The Council’s 2017/18 claim has a value of £146.7 million.</li> <li>— Our initial testing of 60 cases (20 each from Non-HRA; HRA; and Rent Allowances) did not identify any errors.</li> <li>— As a consequence of the errors in 2016/17, the DWP requires the auditor to undertake additional testing. Our additional testing of 40 HRA cases identified two cases with errors. One of the errors resulted in an underpayment of subsidy; but one of the errors identified an overpayment of subsidy (value £1.30).</li> <li>— The DWP requires auditors to extrapolate any over payment errors. This calculation identified that the extrapolated impact of the error was £17. 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.</li> </ul>	NIL
2	<p><b>Teachers’ Pensions Return</b></p> <ul style="list-style-type: none"> <li>— 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 12 cases (the differences are between £1.49 and £1,154.93). The Council considers these to be caused by the cumulative effect of monthly overpayments (which did not exceed monthly tolerance levels) for one case; and rounding differences for the other 11 cases.</li> <li>— In addition, for the sample testing of 20 teachers, we identified one teacher where the employee pension deduction was incorrect. For the month tested (May 2017) the employee deductions were made at 8.6% (£93.82), but the rate should have been 7.4% (£80.73). Therefore the teacher has overpaid their pension contribution by £13.09 for May 2017. The Council has commented that the error would be rectified in the next monthly return (December 2018).</li> </ul>	NIL
3	<p><b>Pooling of Housing Capital Receipts</b></p> <ul style="list-style-type: none"> <li>— We identified a minor error (the amount of receipts received from mortgages for properties sold prior to 2012. The amount received by the Council in 2017/18 was understated by £464, and the amount disclosed as received was not allocated to the correct quarter. We understand that the Council has amended the claim and will address the shortfall in receipts payable to MHCLG as part of the Quarter 3 return for 2018/19.</li> </ul>	+ £464

## 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 £34,735.

### 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 £27,735. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £20,423.

### 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	27,735	20,423
Teachers' Pensions Return	3,500	3,500
Pooling of Housing Capital Receipts Return	3,500	3,500
<b>Total fee</b>	<b>34,735</b>	<b>27,423</b>



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