



Annual Report on grants and returns 2017/18

London Borough of Hackney

January 2019



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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, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). 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 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 £304 million.
- Under separate engagements we issued reports on two claims/returns as listed below:
 - Teachers' Pensions return;
 - Pooling of Housing Capital Receipts return; and
 - Skills Funding Agency return

Certification and assurance results (Pages 5)

Housing Subsidy Benefit

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. The factual accuracy of the letter was agreed with the Authority prior to dispatch to the DWP. Issues contributing to the qualification, which were similar to those identified in prior years included incorrect claimant income, tenure classification and treatment of non-dependent student status.

Teachers Pensions

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 one exception 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 difference reported was £140.98. The Council considers these to be caused by the cumulative effect of monthly overpayments (which did not exceed monthly tolerance levels) and it was agreed no adjustment was required in year and the amount would be corrected in the following years' return.

No issues were noted in the prior year.

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Pooling of Housing Capital Receipts

Our work 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.

We have not identified any issues in 2017/18.

In 2016/17, the pooling of capital receipts claim was amended to take into account a misclassification between the quarterly analysis.

Skills Funding Agency

Our work to complete AUPs on the *Skill Funding Agency return* followed the instructions issued by the Teachers' Pensions agency (TP) and included agreed upon procedures over specific elements of the Council's end-to-end subcontracting process specified in the ESFA common and performance-management funding rules which, in summary, cover the following areas:

General subcontracting, Selection and procurement, Entering into a subcontract, Monitoring, Second level subcontracting, Reporting on subcontracting; and Fees and charges.

We noted two minor recommendations relating to sub-contractor contract pro-formas.

All prior year recommendations have been implemented.

Fees (Page 7)

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2017/18 of £38,616 fee. Our actual fee was higher than the indicative fee as additional work was required, and this compares to the 2016/17 fee for this claim of £34,755. The final fee was £42,705 which includes £4,089 of additional cost which is still subject to determination by PSAA.

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2017/18 (£11,250) were in line with those in 2016/17.

Summary of reporting outcomes

Overall, we carried out work on four grants and returns.

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 audit	2		●		
— Pooling of capital receipts					●
— Education and skills funding	3		●		

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
1	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> — The Council’s 2017/18 claim has a value of £304 million. — Our testing covered 60 initial cases, eleven 40+ testing and 84 additional cases. The factual accuracy of the letter was agreed with the Authority prior to dispatch to the DWP. Issues contributing to the qualification, which were similar to those identified in prior years included incorrect claimant income, tenure classification and treatment of non-dependent student status.
2	<p>Teachers’ Pension Return</p> <ul style="list-style-type: none"> — We reported one exception 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 difference reported was £140.98. — The Council considers these to be caused by the cumulative effect of monthly overpayments (which did not exceed monthly tolerance levels) and it was agreed no adjustment was required in year and the amount would be corrected in the following years’ return.
3	<p>Skill Funding Agency</p> <ul style="list-style-type: none"> — In testing the Entering in a Contract – Compliance procedure, we noted the subcontractors’ contract pro-forma excludes a number of specific clauses as required by ESFA. This was not a repeat of a prior year recommendation and the Authority agreed to amend the pro-forma. — In testing the Selection and Procurement- Tendering documents (Funding Rules 87), we were not able to inspect some tendering documents relating to two subcontracts (St Marys Secret Garden and DBIZ8 Empowerment Consultancy Limited) thus we were not able to ascertain that the appropriate due diligence checks were performed. This was not a repeat of a prior year recommendation and the Authority agreed to our recommendation ensuring all tendering documentation being available for inspection.

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 £53,995.

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 £38,616 fee. Our actual fee was higher than the indicative fee as additional work was required, and this compares to the 2016/17 fee for this claim of £34,755. The final fee was £42,705 which includes £4,089 which is still subject to determination by PSAA.

The main reasons for the fee exceeding the original estimate were additional work that involved re-performing the work by the Authority in attempting to isolate (rather than extrapolate) the errors identified.

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	42,705*	34,755
Teachers' Pensions Return	3,750	3,750
Pooling of Housing Capital Receipts Return	3,500	3,500
Skills funding agency	4,000	4,000
Total fee	53,995	46,005

*this is subject to overruns of £4,089 for the additional work performed on the Housing Benefits return. This figure is still subject to PSAA approval.



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