



Annual Report on grants and returns 2017/18

London Borough of Brent

March 2019 - Draft



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Introduction and background

This report summarises the results of work we have carried out on the Authority's 2017/18 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment (PSAA) certification arrangements, as well as the work we have completed on other returns under separate engagement terms. The work completed in 2017/18 is:

- Under the PSAA arrangements we certified one claim – the Authority's 2017/18 Housing Benefit Subsidy claim. This had a value of £ 339 million.
- Under separate engagements we issued assurance reports on the following two returns;
 - Teachers' Pension Return (£15 million); and
 - Pooling of Housing Capital Receipts Return (capital receipts subject to pooling £11 million).

Certification and assurance results (Pages 4-5)

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 in relation to the following matters:

- Errors in the calculation of claimants eligible self employed income – there was a similar qualification in 2016/17;
- Errors in the calculation of claimants eligible earned income – there was a similar qualification in 2016/17;
- Incorrect Local Housing Authority caps being used;
- Errors in the calculation of non dependent income; and
- Misclassification of overpayments between Local Authority errors and eligible overpayments - there was a similar qualification in 2016/17.

There were no adjustments made to the claim.

Our work on the other grant assurance engagements did not result in any adjustments although we were required to report a minor issue arising from the agreed upon procedures we performed.

Recommendations

We made one recommendation to the Authority last year relating to processing of housing benefit data. While the total number of errors have reduced the substance of the recommendation remains.

Fees (Page 6)

Our fee set by the PSAA for certifying the Authority's 2017/18 Housing Benefit Subsidy grant was £21,663. Due though to additional time in finalising the housing benefit claim and an increase in the number of additional cells being tested due to initial errors, an additional fee of £2,249 will be required which we will agree with the Chief Finance Officer and PSAA. This will make the total fee £23,912 (2016/17: £27,321)

Our fees for the other returns were agreed with the Authority and totalled £6,500.

Summary of reporting outcomes

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

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Authority’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.

A qualification means that issues were identified concerning the Authority’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 Authority to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other grant/return engagements					
— Teachers’ Pension Return	2				*
— Pooling of Housing Capital Receipts Return	3				*

* For the Teachers’ Pension Return and Pooling of Housing Capital Receipts Return the work is performed under agreed upon procedures where we report findings against agreed audit procedures rather than forming an opinion or giving assurance. These findings are shown on page 6.

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments that were identified on the previous page.

Ref	Summary observations	Amendment to claim/return
1	<p>Housing Benefit Subsidy Claim</p> <p>Our initial testing of 60 cases identified:</p> <ul style="list-style-type: none"> • Three cases where the Local Housing Authority rate was incorrectly applied (all impacted on amount paid to claimant); and • Three cases where incorrect amounts had been included for non dependents (all impacted on amount paid to claimant). <p>Additional testing of a further 80 cases for each type of error identified 12 errors relating to the incorrect rate being used, although none of these errors impacted on the amount awarded to claimants and 11 errors relating to non dependent income, six of which impacted on the amounts paid to claimants.</p> <p>As a result of errors in previous years in relation to the calculation of self employed income for benefit purpose (73 errors out of 124 cases tested in 2016/17), we carried out additional testing where the claimant had self employed income. Our testing of 128 such cases this year found errors in 28 of the cases which 9 resulted in the claimant being overpaid housing benefits, 10 on claimants being underpaid and 9 cases which had no impact on the amount the claimant was due. The overpayments ranged from £1 to £404. As can be seen the Authority has made progress in this area in reducing the number of errors on self employed income and this improvement needs to be continued.</p> <p>We also as a result of errors identified last year on processing earned income and overpayments tested an additional sample of 40 cases for each and found four errors relating to earned income and one case relating to allocation of overpayments.</p> <p>While errors made in calculating individual housing benefit claims can have a significant impact on the claimant, most of the errors above would only result in minor adjustments to individual cells included in the Authority's Housing Benefit Claim, However as there were some claims where evidence couldn't be located to support certain categories and thus maximum amounts were applied to the figures included in the claim, based on our extrapolation, this could lead to approximately £1 million of expenditure being re-classified as LA error which attracts no subsidy.</p> <p>However, due to the Authority having only £372,000 of LA error and administration delays against a lower threshold of £1,591,000, the Authority has calculated this will have minimal effect on the subsidy claimed if the Department decided to use the extrapolated figures to revise the claim.</p> <p>It is also noted the claim missed the audit deadline of 30 November 2018 as the Authority needed to complete additional tests and spent time finding information that initially couldn't be located. The claim was signed by the auditor on 25 February 2019.</p>	None

Summary of certification work outcomes

Ref	Summary observations	Amendment to claim/return
2	<p>Teachers' Pension Return</p> <p>Our testing identified that multiplying gross salaries by the expected contributions resulted in a difference of £50.37 for employee and £1.86 for employers contributions on total contributions of £14,463,299. This we were required to report to the Department.</p> <p>In addition, there was a difference between the receipts the Teachers' Pension Authority stated they had received from Brent and the Authority's accounting records of £286,784 which we were required to report. Officers have informed us this is due to a school making a payment direct to the Teachers' Pension Agency as well as the Authority, resulting in a duplicate payment. Officers have started monthly reconciliations to ensure this does not re-occur.</p>	None
3	<p>Pooling of Housing Capital Receipts return</p> <p>The working papers supported the return and there were no matters arising. We signed the return and had no issues to report relating to the Return.</p>	None

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on returns are agreed directly with the Authority.

The overall fees we propose for carrying out all our work on grants/returns in 2017/18 was £30,412

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Authority's Housing Benefit Subsidy claim in 2017/18 of £21,663. Due to additional work being required as a result of errors identified and delays in locating information we are proposing an additional fee of £2,249 which we agree with the Chief Finance Officer and PSAA in respect of the additional work.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Authority. The final fees for 2017/18 were in line with those agreed prior to the start of the work.

Breakdown of fees for grants and returns work

* Breakdown of fee by grant/return		
	2017/18 (£)	2016/17 (£)
Housing Benefit Subsidy claim	23,912*	27,321
Teachers' Pension Return	3,500	3,500
Pooling of Housing Capital receipts	3,000	3,000
Total fee	30,412	33,821

* Subject to agreement with the Chief Finance Officer and PSAA

Recommendations

We made one recommendation in both our 2015/16 and 2016/17 Certification of Grants and Returns Annual Reports regarding self employed income and how the accuracy of calculations could be strengthened. There has been an improvement this year but further improvement is required.

Prior year recommendation	Priority	Status as at March 2018	Management comments		
Housing benefits					
1		Review in detail the reasons for errors relating to self employed income calculations for benefit purposes and put in place arrangements to ensure all figures used in the calculation of self employed income are accurate and fully supported.	1	There was a dramatic improvement in 2017/18 following measures put in place by the Authority which reduced the number of errors identified from 73 out of 124 cases in 2016/17 (59%) to 29 out of 128 cases in 2017/18.(23%). This progress needs to be continued in 2018/19.	

Recommendation	Priority	Management comments		
Housing benefits				
1		Review the reasons for errors relating to the incorrect Local Housing Authority rate being used and the errors in the calculation of Non dependent income figures and take appropriate action following the review.	1	



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