



CITY OF LONDON - CITY FUND

GRANT CLAIMS AND RETURNS CERTIFICATION

In respect of claims and returns for the year ended 31 March 2016

20 January 2017



INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Corporation, sponsoring Department and the auditor.

The Corporation has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant Departments, of the Pooling of housing capital receipts return and the Teachers' pensions return for the year ended 31 March 2016.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

Fees

We reported our planned fees for the Housing benefits subsidy claim in our Audit Plan and this remains at the level proposed by PSAA.

We have not had to amend our planned fees.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
PSAA regime		
Housing benefits subsidy claim	11,396	11,396
Total PSAA regime fees	11,396	11,396

Other certification work		
Pooling of housing capital receipts return	2,340	2,340
Teachers' pensions return - LEA	4,500	4,500
Teachers' pensions return - Centre for Young Musicians	4,500	4,500

Total certification fees	22,736	22,736
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KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification, further information is provided. An action plan is included at the Appendix of this report.

CLAIM OR RETURN	VALUE	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS
Housing benefit subsidy	£6,053,969	NO	NO	-
Pooling of housing capital receipts	£978,700	YES	YES	No impact
Teachers' pensions - LEA	£173,853	YES	NO	-
Teachers' pensions - Centre for Young Musicians	£20,795	NO	NO	-

HOUSING BENEFIT SUBSIDY

FINDINGS AND IMPACT ON RETURN

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Corporation for the financial year is submitted on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Corporation is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £6,053,969.

Our audit of an initial 60 individual claimant files across different benefit types found only two errors in the benefit assessments in respect of non-HRA cases.

In one case a minor difference was noted in the applicable amount (an allowance for income before reducing benefit awarded) used in the assessment. No further cases were identified and the difference was less than £1 in total in the subsidy claim.

In one case an error had been made in the earnings assessment where a claimant had multiple employment. No further errors were identified for non-HRA claimants with multiple employment. This resulted in an underpayment of benefit and therefore no correction was required to the subsidy claim.

We issued a 'clean' opinion on return on 28 November.

KEY FINDINGS

POOLING OF HOUSING CAPITAL RECEIPTS	FINDINGS AND IMPACT ON RETURN
<p>Local authorities are required to pay a portion of any housing capital receipt (usually 75%) they receive into a national pool administered by central government. The Corporation is required to submit quarterly returns notifying central government of the value of capital receipts received.</p> <p>The return provided for audit recorded total receipts of £978,700 for 6 disposals, of which £357,090 was payable to the Department for Communities and Local Government (DCLG). A significant amount of sales receipts were transferred into 1-4-1 new build budgets that are time limited and remain exempt from pooling.</p>	<p>Our review found the following errors in the draft return that were corrected:</p> <ul style="list-style-type: none"> Costs for repurchasing previously disposed dwellings of £246,380 were omitted from the return that can be applied against the carrying balance on 1-4-1 receipts Cells recording actual costs to date on 1-4-1 new-build expenditure had been omitted. <p>We found that the return had calculated Quarter 3 attributable debt (notional carried debt on disposals) as a negative amount (£8,883) that increases the carried forward cumulative attributable debt. Negative amounts should be capped to £0 in the return but it has not been possible to overwrite the formula in the return. We have referred to this in the qualification of the auditor’s report. It does not appear to impact on the amount of pooled receipts payable but we are not clear what impact this may have on future years.</p> <p>We noted that the Corporation retains a significant amount of receipts to be used to support 1-4-1 new social housing development at £8,797,571 to be applied before 31 March 2019. There are quarterly time limits to use this retained funding.</p>

KEY FINDINGS

TEACHERS' PENSIONS	FINDINGS AND IMPACT ON RETURN
<p>Local authorities that employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa or EOYCc, which the Corporation or the school is required to submit to Teachers' Pensions.</p> <p>Two returns were subject to audit:</p> <ul style="list-style-type: none"> Sir John Cass (local education authority school) recorded total pensions payable at £173,853 on payroll costs of £692,480 The Centre for Young Musicians (non-LEA school) recorded total pensions payable at £20,795 on payroll costs of £78,946. 	<p>Sir John Cass return</p> <p>Our review found the following errors in the draft return that were not corrected in the final return as these were not material:</p> <ul style="list-style-type: none"> Refunds made to staff for contributions paid was under reported by £1,783 Two employees on casual contracts received adjustments to pay that should have resulted in a higher tiered employee rate contributions of £17 and £186 One employee changed roles during the year and should have transferred from the Teachers Pension scheme to the Local Government Pension Scheme (LGPS) and the Corporation will request recovery of employer and employee contributions of £1,800 overpaid for transfer to the LGPS. <p>The Corporation will work with Teachers Pensions to ensure that the correct amounts are paid over.</p> <p>Centre for Young Musicians return</p> <p>No errors were found from our review of the preparation of the return or testing of contributions due from teachers and the employer.</p>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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