



SLOUGH BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2016



CONTENTS

INTRODUCTION	3
KEY FINDINGS	4
DETAILED FINDINGS	5
APPENDIX I: STATUS OF 2014/15 RECOMMENDATIONS	15
APPENDIX II: 2015/16 ACTION PLAN	16

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 Council, sponsoring Department and the auditor.

The Council 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 original fee proposals in our planning report.

We incurred significant overruns against our budgeted costs in relation to the audit the housing benefit subsidy claim due to a number of issues and delays encountered in the audit. We have agreed with management an additional fee of £10,050 for this audit, which is subject to approval by PSAA.

Our final fees in respect of the pooling of housing capital receipts return and teachers' pensions return remain the same as those reported in our planning report.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
PSAA regime		
Housing benefits subsidy claim	9,950	20,000
Total PSAA regime fees	9,950	20,000

Other certification work		
Pooling of housing capital receipts return	1,800	1,800
Teachers' pensions return	3,535	3,535

Total certification fees	15,285	25,335
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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 (or both), further information is provided. An action plan is included at Appendix II of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	£75,491,382	YES	YES	Subsidy reduction of £5,328
Pooling of housing capital receipts	£6,712,929	NO	YES	No impact on total housing capital receipts subject to pooling
Teachers' pensions	£5,540,524	YES	NO	N/A

HOUSING BENEFIT SUBSIDY

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 Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council 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 £75,496,710. The final submission was reduced by £5,328 to £75,491,382.

FINDINGS AND IMPACT ON RETURN

Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement.

Guidance requires auditors to undertake extended 40+ testing if initial testing identifies errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this within our qualification letter.

The results of additional testing, amendments to the claim and issues reported in the qualification letter are noted in the detailed findings section of this report.

PSAA's methodology requires auditors to reperform a sample of the additional work undertaken by the Council (or a benefits specialist that this work may be outsourced to) to ensure conclusions have been satisfactorily recorded. We identified issues in some of the testing which meant that we had to carry out extended testing. This led to delays in us certifying the claim and additional audit fees.

Our work was completed and the claim was certified on 21 March 2017. Our audit certification was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations where 40+ testing was carried out or actual errors based on 100% testing of the population) in a letter to DWP. The Council received a response from DWP in March 2017 and £3,715 has been recovered from the Council as a result of the qualification letter.

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Non-HRA Rent Rebates	<p>Misclassification of Non-HRA Rent Rebate expenditure</p> <p>Initial testing identified a case where an overpayment amounting to £1,636 was deducted from expenditure relating to short term leased or self-contained licenced accommodation above the Local Housing Allowance (LHA) rate when it should have been deducted from expenditure relating to board and lodgings or non self-contained licenced accommodation above the LHA rate.</p>	<p>The claim form was amended however there was no impact on subsidy claimed as both types of expenditure do not attract subsidy. No further testing was carried out because the nature of the error means there would never be an impact on subsidy.</p>
Non-HRA Rent Rebates	<p>Misclassification of Non-HRA Rent Rebate expenditure</p> <p>Initial testing identified a case where a duplicate payment amounting to £4,771 was classified as expenditure relating to short term leased or self-contained licenced accommodation above the LHA rate when it should have been classified as board and lodgings or non self-contained licenced accommodation above the LHA rate.</p>	<p>The claim form was amended however there was no impact on subsidy claimed as both types of expenditure do not attract subsidy . No further testing was carried out because the nature of the error means there would never be an impact on subsidy.</p>
Non-HRA Rent Rebates	<p>Misclassification of Non-HRA Rent Rebate expenditure</p> <p>Initial testing identified a case where expenditure amounting to £819 had been classified as board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) when it should have been classified as expenditure above the LHA rate (which does not attract any subsidy).</p> <p>Testing of the remaining population of expenditure relating to board and lodgings or non self-contained licenced accommodation below the LHA rate (41 cases) found a further seven cases, amounting to £5,495, which had been classified as expenditure below the LHA rate when they should have been classified as expenditure above the LHA rate.</p>	<p>The claim form was amended by reducing board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) by £6,314 and increasing board and lodgings or non self-contained licenced accommodation above the LHA rate (which does not attract any subsidy) by the same amount.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Non-HRA Rent Rebates	<p>Misclassification of Non-HRA Rent Rebate expenditure</p> <p>Testing of the initial sample identified a case where an amount of £120 had been classified as expenditure relating to short term leased or self-contained licenced accommodation below the LHA rate when it should have been classified as expenditure above the LHA rate.</p> <p>Given the nature of the population and the errors found, an additional random sample of 40 cases were tested and a further two misclassifications amounting to £1,880 were identified.</p> <p>As a result of the errors identified, we extrapolated the error over the remaining population and reported that expenditure relating to short term leased or self-contained licenced accommodation below the LHA rate (which attracts full subsidy) was overstated by £4,154, and expenditure above the LHA rate (which does not attract any subsidy) was understated by the same amount.</p>	<p>The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p>
Non-HRA Rent Rebates	<p>Misclassification of Non-HRA Rent Rebate expenditure</p> <p>Initial testing identified a case where the weekly entitlement was apportioned between up to and above the LHA rate for part of a week. As part week payments should not be split above and below the LHA rate if the total amount for the part week is below the limit, this error meant that board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) was understated by £10 and expenditure above the LHA rate (which does not attract any subsidy) was overstated by the same amount.</p>	<p>The claim form was amended by increasing board and lodgings or non self-contained licenced accommodation below the LHA rate (which attracts full subsidy) by £10 and reducing board and lodgings or non self-contained licenced accommodation above the LHA rate (which does not attract any subsidy) by the same amount.</p> <p>No further testing was carried out because the nature of the error means there would always be an under claim of subsidy.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Non-HRA Rent Rebates	<p>Non-HRA Rent Rebate overpayments</p> <p>Testing of the initial sample identified a case where an amount of £421 had been paid twice when the claimant moved address as well as the system not identifying an overpayment for the same amount. Testing also identified a case where an amount of £235 had not been identified as an overpayment when the claimant moved address.</p> <p>Given the nature of the population and the errors found, additional targeted testing was carried out. The Council liaised with Capita who produced an SQL report of all possible cases where claimants had moved address and duplicate payments could have been made as well as overpayments not being created. The Council tested all 12 cases identified by the SQL report and a further six errors were identified where overpayments had not been created.</p>	<p>The total effect of these errors resulted in:</p> <ul style="list-style-type: none"> • Short term leased or self-contained licenced accommodation below the LHA rate overstated by £625 (attracts full subsidy) and above the LHA rate overstated by £31 (attracts no subsidy) • Non-HRA rent rebate eligible overpayments understated by £656 (attracts 40% subsidy) • HRA rent rebate expenditure attracting full subsidy overstated by £3,135 • HRA rent rebate LA error and administrative delay overpayment understated by £3,135 (attracts no subsidy) • Rent allowance expenditure under rent officer arrangements (cases not requiring rent officer referral) overstated by £164 (attracts full subsidy) • Rent allowance LHA expenditure overstated by £87 (attracts full subsidy) • Rent allowance eligible overpayments understated by £251 (attracts 40% subsidy) <p>The Council did not correct these errors in the 2015/16 claim form but intends to correct the benefits system in 2016/17, as amending the claim form in 2015/16 would have resulted in subsidy being affected in both years.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
HRA Rent Rebates	<p>HRA rent rebate expenditure attracting full subsidy</p> <p>In the prior year's subsidy claim, we qualified the claim as testing of the initial and additional HRA rent rebate samples identified two errors in relation to cases with negative values in respect of HRA rent rebate expenditure attracting full subsidy. Given the nature of the errors in the prior year, all cases with negative values in respect of this type of expenditure in the 2015/16 subsidy claim were tested by the Council in the current year.</p> <p>Testing of all eight cases identified four errors, with two impacting on subsidy as follows:</p> <ul style="list-style-type: none"> • One case where two homes awards were entered into the system as a modified scheme. This resulted in HRA expenditure attracting full subsidy being understated by £202, modified scheme expenditure being overstated by £71 and HRA rent rebate prior year eligible overpayments being understated by £108. This resulted in an under claim of subsidy amounting to £175. • One case where duplicate subsidy transactions were created when manually trying to correct overpayments. This resulted in HRA rent rebate expenditure attracting full subsidy being understated by £140, HRA rent rebate technical overpayments overstated by £140 and HRA rent rebate prior year eligible overpayments understated by £140. This resulted in an under claim of subsidy amounting to £208. 	<p>The Council has not corrected for these errors in the claim form. However, the Council intends to correct the benefits system for these cases in 2016/17, as amending the claim form in 2015/16 would have resulted in subsidy being affected in both years.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
HRA Rent Rebates	<p>HRA rent rebate expenditure attracting full subsidy</p> <p>Testing of the initial sample identified two cases where incorrect earnings figures had been used in the entitlement calculation. The effect of these errors was that HRA rent rebate expenditure attracting full subsidy was overstated by £67 and LA and administrative delay overpayments (which attracts no subsidy) was understated by the same amount.</p> <p>Given the nature of the population and the errors found, an additional random sample of earnings cases was selected for testing. This additional testing identified a further three cases where incorrect earnings figures had been used in the entitlement calculation:</p> <ul style="list-style-type: none"> • Two cases where benefit had been underpaid by £55. As there is no eligibility to subsidy for benefit which has not been paid, these underpayments do not affect subsidy and were not, therefore, classified as errors for subsidy purposes. • One case where benefit amounting to £148 had been overpaid resulting in HRA rent rebate expenditure attracting full subsidy being overstated by £148 and LA and administrative delay overpayments (which attracts no subsidy) being understated by the same amount. <p>As a result of the errors relating to overpayments, we extrapolated the errors over the remaining population and reported that HRA rent rebate expenditure attracting full subsidy was overstated by £5,625 and LA and administrative delay overpayments (which attracts no subsidy) was understated by the same amount.</p>	<p>The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p>

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Rent Allowances	<p>Rent allowances expenditure - payment of rent free weeks</p> <p>Testing of the initial sample identified a case where benefit amounting to £133 in relation to rent free weeks had been paid to the landlord in error and an overpayment had not been created on the system. The effect of this error was that expenditure relating to rent officer arrangements (cases excluded from requirement to refer to rent officer) was overstated by £133 and LA error and administrative delay overpayments understated by the same amount. This appeared to be a system issue as an LA error and administrative delay overpayment amounting to £408 was subsequently created which should have been classified as normal expenditure.</p> <p>The Council liaised with Capita who provided a listing of potential cases where rent free weeks could have been paid and an overpayment not created. The Council reviewed all cases (44 cases), and did not identify any more instances where rent free weeks had been paid in errors and no overpayment created. However, testing of the 44 cases identified five instances where overpayments had been misclassified. The effect of these errors was that LA error and administrative delay overpayment was understated by £1,081 and eligible overpayments overstated by the same amount. Also, prior year LA error and administrative delay overpayments were understated by £545 and prior year eligible overpayments were overstated by £545.</p>	<p>The claim form was amended as follows:</p> <ul style="list-style-type: none"> • Expenditure relating to rent officer arrangements where cases are excluded from referral to rent officer (attracts full subsidy) increased by £275 • Current year LA error and administrative delay overpayments (attracts no subsidy) increased by £806 • Current year eligible overpayment reduced by £1081 (attracts 40% subsidy) • Prior year LA error and administrative delay overpayments (attracts no subsidy) increased by £545 • Prior year eligible overpayment reduced by £545 (attracts 40% subsidy).

DETAILED FINDINGS

Benefit type	Error description	Impact on claim
Rent allowances	<p>Underpaid benefit - child benefit disregard</p> <p>Testing of the initial sample identified a case where benefit had been underpaid by £1,205 because child benefit had not been fully disregarded in the entitlement calculation.</p> <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy, therefore, this was not classified as an error for subsidy purposes. As this error will always result in an underpayment of benefit, additional testing was not undertaken.</p>	No adjustment to the claim form was required because the benefit payment will be paid in 2016/17 and therefore the expenditure will be included in the 2016/17 claim form. This was reported in our qualification letter to DWP.
Modified schemes	<p>Underpaid benefit - war widows pension</p> <p>All modified schemes cases were tested as a high number of errors were identified in the prior year. Testing identified one case where benefit amounting to £33 was underpaid due to an input error in respect of the War Pension amount.</p>	No adjustment to the claim form was required because benefit will be paid in 2016/17 and therefore the expenditure will be included in the 2016/17 claim form. This was reported in our qualification letter to DWP.

DETAILED FINDINGS

POOLING OF HOUSING CAPITAL RECEIPTS

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

The return provided for audit recorded total housing capital receipts subject to pooling of £6,712,929 to the Department for Communities and Local Government (DCLG).

DCLG requires that this return is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide a reasonable assurance report.

FINDINGS AND IMPACT ON RETURN

Our review of the draft return found that buyback allowances (relevant interest) figures for quarters one, two and four had not been inadvertently omitted from the return. The final return was amended to include amounts of £154,968, £789 and £299,716 for quarters one, two and four respectively. The amendment had no impact on the total housing capital receipts subject to pooling.

DETAILED FINDINGS

TEACHERS' PENSIONS

Local authorities which 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, which the Council is required to submit to Teachers' Pensions.

The Department for Education requires that Form EOYC is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate term of engagement for this work and provided a limited assurance report.

FINDINGS AND IMPACT ON RETURN

Our analytical review identified an incorrect pensionable pay had been input into the system for one employee (£227.58 as opposed to £2,227.58), which meant that the pensionable pay, employers' and employees' contribution figures, for this employee, were included within tier 1 of the analysis of contributions table within the return (employees' contributions payable at 7.4%) when they should have been in tier 2 (employees' contributions payable at 8.6%). The actual contributions made were calculated based on the correct salary and at the correct rates, therefore this was a presentational issue within the return rather than an under-payment of contributions to the Teachers' Pensions Scheme. We reported this issue in our limited assurance report to the Teachers' Pensions office.

APPENDICES

APPENDIX I: STATUS OF 2014/15 RECOMMENDATIONS

RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING	PROGRESS	STATUS
<p>Housing benefit claim</p> <p>Our audit found a number of misclassification errors in non-HRA rent rebates, in particular:</p> <ul style="list-style-type: none"> • Expenditure classified as non-HRA when it should have been rent allowances or HRA rent rebates • Misclassification between board and lodging or non self-contained licensed accommodation and short term leased or self-contained licensed accommodation • Misclassification between expenditure up to the LHA cap and expenditure above the LHA cap. <p>The Council and its transactional services provider should undertake a review of the issues raised in our qualification letter, in particular in respect of misclassifications of non-HRA rent rebates expenditure, and ensure the necessary action is taken to ensure these do not recur.</p>	High	SBC transactional services supplier	April 2016	The Council carried out a number of checks in relation the classification of non-HRA rent rebate expenditure and LHA rates during 2015/16.	The 2015/16 audit identified similar errors to those reported in 2014/15. See Appendix II for recommendations.

APPENDIX II: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Housing benefit claim</p> <p>Our audit found a number of errors in respect of Non-HRA rent rebate expenditure, in particular:</p> <ul style="list-style-type: none"> Misclassification between board and lodging or non self-contained licensed accommodation and short term leased or self-contained licensed accommodation Misclassification between expenditure up to the LHA cap and expenditure above the LHA cap Apportionment of part week payments Overpayments not being created when a claimant is paid twice. 	<p>We recommend that the Council and its transactional services supplier carries out significantly increased reviews of non-HRA rent rebate cases throughout the year to address issues reported, in particular classification issues that have been reported for the past two years.</p> <p>The Council will be required to ensure that a clear audit trail is retained of these checks so that we can clearly follow the work that has been completed to address these issues.</p>	High	Agreed - additional checks have been carried out to date and further checks will be carried out before the claim is Audited.	Vijay McGuire Contract Manager	June 2017
<p>Housing benefit claim</p> <p>A number of errors were identified in respect of negative amounts included within HRA rent rebate expenditure attracting full subsidy.</p>	<p>We recommend that the Council reviews all cases that net to a negative value in respect of HRA rent rebate expenditure attracting full subsidy before the 2016/17 claim form is finalised and amends all errors.</p> <p>The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p>	High	Completed for 2016-17 claim	Vijay McGuire Contract Manager	June 2017

APPENDIX II: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Housing benefit claim</p> <p>Errors were identified in respect of rent allowance expenditure where rent free weeks had been paid to the landlord and no overpayment had been raised and where an overpayment had been raised this had been incorrectly classified.</p>	<p>We recommend that the Council reviews all rent allowance cases where rent free weeks have been paid throughout the year and ensures that overpayments have been raised and that they have been classified correctly within the claim form.</p> <p>We recommend the Council completes this before the 2016/17 claim form is finalised and amends all errors. The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p>	High	Agreed	Vijay McGuire Contract Manager	June 2017
<p>Housing benefit claim</p> <p>An error was identified in respect of incorrect war pension amount being input in relation to modified schemes testing.</p>	<p>We recommend that the Council reviews all modified schemes cases to ensure they have been calculated correctly (in respect of all aspects of the case as there tends to be different types of errors identified each year).</p> <p>We recommend the Council completes this before the 2016/17 claim form is finalised and amends all errors. The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p>	High	Agreed	Vijay McGuire Contract Manager	June 2017

APPENDIX II: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Pooling of housing capital receipts</p> <p>Our audit testing identified that buyback allowance (relevant interest) figures for quarters 1, 2 and 4 had not been input into the return.</p>	<p>We recommend that the Council carries out a sense check of the return and a year-on-year comparison of amounts to identify and follow-up amounts that may have been input incorrectly.</p>	High	Agreed.	Barry Stratfull Head of Financial Reporting (Deputy Section 151 Officer)	August 2017

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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