



SLOUGH BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2013

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INTRODUCTION

THE PURPOSE OF THIS REPORT

This report summarises the issues arising from the certification of grant claims and returns for the financial year ended 31 March 2013.

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions issued (by the Commission) in consultation with the relevant grant paying bodies. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

After completion of the audit procedures specified within the Certification Instruction, the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified based on the audit work completed. Sample sizes used in the work on the housing and council tax benefit subsidy claim and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

A summary of the fees charged for certification work for the year ended 31 March 2013 is shown to the right.

Appendix I of this report shows the Council's progress against the action plan included in the predecessor auditor's Grant Claims and Returns Certification report (presented to the Audit and Risk Committee in November 2012). Appendix II contains an action plan and recommendations made following our audit of claims and returns for the period ended 31 March 2013.

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

FEES	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing and council tax benefit subsidy	15,870	TBA *
National non domestic rates return	1,540	4,583
Pooling of housing capital receipts	310	1,929
Teachers' pensions return	1,440	3,440
TOTAL FEES	19,160	36,933

* To be advised - we are in the process of agreeing the final fee with management and the Audit Commission

The outturn fee is higher than the planned scale fee for the following reasons:

- a significantly higher level of work was carried out on the housing and council tax benefits subsidy claim compared to the prior year. Our audit found a number of errors that the Council's transactional services provider made in administering benefit and calculating subsidy entitlement in 2012/13, which resulted in additional audit testing and the review of work undertaken by management
- the high risk attached to the national non domestic rates return due to weaknesses in arrangements for identifying rateable values and awarding relief identified by Internal Audit at the planning stage. In addition, our audit of charitable reliefs identified errors which resulted in additional audit testing and a qualification letter
- the additional work carried out on the pooling of capital receipts return as there was a £1.6 million increase in total housing capital receipts in 2012/13 compared to the prior year. In addition, we experienced some difficulty in agreeing working papers to the return and ensuring consistency with the 2012/13 financial statements
- the increase in the level of work carried out on the teacher's pensions return compared to the prior year. The additional work was required based on our assessment of risk.

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	FINAL VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing and council tax benefit subsidy	83,959,514	Yes	Yes	971
National non-domestic rates return	86,019,687	Yes	Yes	(832,448)
Pooled housing capital receipts	3,969,788	No	No	0
Teachers' pensions return	6,119,710	No	Yes	0

The housing and council tax benefit subsidies claim was certified with an extensive qualification letter. Management has informed us that it is discussing with the Government department (the Department for Work and Pensions - DWP) that £220,000 is due to be recovered from Slough's future subsidy entitlement as a result of our qualification of the claim.

Detailed Findings

Below are details of each grant claim and return subject to certification by BDO for the period ended 31 March 2013. Where our work identified matters 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.

Housing and council tax benefit subsidy	Findings and impact on claim
<p>Local authorities responsible for managing housing benefit and council tax benefit schemes 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 audit certification.</p> <p>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 the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.</p>	<p>Our audit of 80 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement. The errors mainly involved the incorrect recording of information (such as the amount of claimant income; classification of expenditure and benefit overpayments). The Council is currently discussing with the DWP its assessment of the relevant claimant's income we identified as an error. The Audit Commission requires that where errors are not considered to be 'isolated', an additional sample should be drawn and reviewed by the Council. We then review such work and the impact of the error is quantified by extrapolating the test results. Accordingly, the Council reviewed over 400 additional cases covering 11 areas ('cells') of the claim.</p> <p>The Audit Commission requires auditors to re-perform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. However, our work found we could not rely on the conclusions drawn by the Council in five of the 11 areas reviewed. We therefore completed a review of all work completed by the Council for these five areas and which covered all types of benefit awarded.</p>

Our work was completed and the claim was certified before the Government's deadline of 30 November 2013. Our audit certificate was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy in a letter to the Department of Work and Pensions (DWP). Our qualification letter covered all of the benefit types awarded by the Council, as summarised below:

- differences in the year-end reconciliations of benefit granted to benefit paid
- an estimated overstatement of council tax expenditure attracting full rate subsidy at cell 144 (£165,000) with a corresponding understatement of technical excess council tax benefit paid (cell 149)
- an estimated overstatement of eligible excess council tax benefit paid at cell 148 (£43,000) with a corresponding understatement of cell 149 (Technical excess benefit: £36,000) and cell 147 (local authority benefit error: £6,000)
- an estimated overstatement of council tax local authority error benefit at cell 147 (£12,000) and a corresponding understatement of cell 149 (Technical excess benefit: £8,000) and cell 148 (eligible excess council tax benefit: £4,000)
- an estimated overstatement of HRA rent rebate overpayments at cell 047 (£44,000) and a corresponding understatement of cell 055 (rent rebates expenditure: £40,000) and cell 066 (technical overpayments: £4,000)
- an estimated understatement of local authority error overpayments at cell 113 (£78,000) and a corresponding over statement of cell 103 (Local Housing Allowance expenditure: £76,000) and cell 102 (expenditure on cases not requiring a referral to a rent officer: £2,000)
- an estimated overstatement of eligible rent rebate overpayments at cell 028 (£7,000) and a corresponding understatement of cell 026 (local authority error overpayments: £4,000) and cell 027 (technical overpayments: £3,000)
- a further five extrapolations were required to non-HRA rent rebates expenditure (cell 11) because of the misclassification of benefit expenditure between:
 - local housing allowance (cell 014: overstated £187,000)
 - total extended payments of non-HRA rent rebates (cell 022: overstated £1,000)
 - extended payments (cell 023 non-HRA expenditure attracting full rate subsidy: overstated £167,000)

- local authority error (cell 026 non-HRA rent rebate local authority error: overstated £3,000)
- eligible overpayments (cell 028) expenditure attracting full rate subsidy: overstated £9,000).

We were able to undertake sufficient testing to recommend the following cells were adjusted:

Cell	Draft claim £	Adjustment £	Final claim £
Cell 011: Rent Rebates (tenants of non-HRA properties): Total expenditure (benefit granted)	945,767	-32,167	913,600
Cell 014: NHRA - Short term leased and self-contained licensed accommodation where LA is landlord: Expenditure up to the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375)	568,559	-41,430	527,129
Cell 015: NHRA - Short term leased and self-contained licensed accommodation where LA is landlord: Expenditure above the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375)	971	-971	0
Cell 023: NHRA - Non-HRA rent rebate expenditure attracting full-rate subsidy which is included in Cell 011 but not otherwise separately identified in this section	339,418	10,221	349,639
Cell 026: NHRA - Overpaid (non-HRA) rent rebates (Current Year) - LA error and administrative delay overpayments	5,430	13	5,443
Cell 055: Rent Rebates (tenants of HRA properties): Total expenditure (benefit granted)	18,564,110	32,180	18,596,290
Cell 061: RR - HRA rent rebate expenditure attracting full-rate subsidy which is included in Cell 055 but not otherwise separately identified in this section	18,210,270	32,180	18,242,459

Given the extent of errors found by our initial sample and the additional work undertaken by the Council, it is recommended the Council undertake a review of the quality of work completed by benefit operatives.

Management is discussing with the Government department (the DWP) the £220,000 of benefit that is due to be recovered from Slough's future subsidy entitlement as a result of the errors highlighted in our qualification letter.

Given the extent of additional testing necessary, the lack of reliance we could place on the additional sample work of the Council in certain areas and the detailed qualification letter we prepared to accompany our audit certificate, we have requested that the Audit Commission determine an additional fee for the audit of the housing and council tax benefits claim. We will provide the Audit and Risk Committee with details of the final fee for audit in due course.

National non-domestic rates return

The Council is a billing authority and as such is required, on an annual basis, to calculate its contribution to the centrally-administered non-domestic rates pool. The value of the contribution must be notified to the Secretary of State. This is done on form NNDR3, which is subject to certification.

Findings and impact on return

The return was amended for the following errors identified by our audit:

- the Council had incorrectly calculated the losses in collection at £4,384,585; this was decreased to £3,552,137 in the final return
- the Council had not disclosed the correct date for the latest information taken into account when calculating the contribution to the pool.

The Council completed a review of reliefs during 2013. The overall impact of these amendments was an increase of £832,448 in the contribution payable to the pool.

In addition, on consideration of the Council's review our audit found some organisations were inappropriately receiving charitable relief. Officers notified us that the external contractor, which has processed the Council's business rate transactions since 1 April 2012, had identified a total of six organisations which were receiving charitable relief when there was no such entitlement. Over the last six years, the total amount of charitable relief inappropriately awarded for all six organisations was £1,240,685, comprising:

- April 2012 to March 2013 - £320,811
- April 2008 to March 2012 - £919,874.

The return was not amended for this error and we issued a qualification letter to the Government Department.

The Government department considered the outcome of our qualification when it reduced the final amount of business rates due to the Council for the 2012/13 year (in December 2013). The Council has ceased the respective reliefs to the organisations affected by our qualification.

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 information in these returns is subject to certification on an annual basis.

Findings and impact on return

Our audit did not identify any issues and the return was certified without qualification or amendment. Additional audit work was required in the light of the increase in housing capital receipts compared to the previous year.

Teachers' pension fund

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 EOYCd, which the Council is required to submit to Teachers' Pensions. Form EOYCd is subject to certification.

Findings and impact on return

The return was amended for the following issues identified by our audit:

- incorrect positive and negative signs were used for the amount of short term pensions that the Council had paid out on behalf of Teachers' Pensions and refunds made in respect of previous years; although these amounts were correctly taken into account in calculating the overall balance owing to Teacher's Pensions
- underpayments of £78 were incorrectly disclosed as additional pension payments rather than refunds made
- a number of items were misclassified between additional pension payments and additional contributions.

These amendments were purely presentational and did not impact on the overall balance owing to Teachers' Pensions.

The return was certified without qualification.



APPENDICES

APPENDIX I: STATUS OF 2011/12 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
Each claim should be supported by a comprehensive set of working papers produced at the compilation stage and available to auditors at the commencement of the audit.	High	To build these into the complete list of audit (internal and external) actions which will then be reported to the Audit and Risk committee on a quarterly basis.	Assistant Director of Finance	Immediate	Given the relatively low number of claims now requiring audit certification, we suggest this action should be integrated into the forward work programme of the finance team.
Claims and returns should be centrally monitored to ensure compliance with grant conditions, deadlines and quality standards.	High	To build these into the complete list of audit (internal and external) actions which will then be reported to the Audit and Risk committee on a quarterly basis	Assistant Director of Finance	Immediate	Given the relatively low number of claims now requiring audit certification, we suggest this action should be integrated into the forward work programme of the finance team.


APPENDIX II: 2012/13 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Our audit found a high number of errors in the administration of benefit by the Council's transactional services provider.	The Council should undertake a review of the issues raised in our qualification letter and ensure the necessary action is taken to ensure these do not recur.	High	A review of all the issues raised in the qualification letter has already started and the aim is to have reviewed and where necessary corrected relevant areas before the 2013/14 claim is submitted.	SBC transactional services client team / SBC transactional services provider	March 2014

POOLING HOUSING CAPITAL RECEIPTS

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
We experienced some difficulty in agreeing working papers to the return and ensuring consistency with the 2012/13 financial statements.	Management should ensure that all entries in the return are fully reconciled in supporting working papers and that they agree to the working workings prepared for the financial statements audit.	Medium	A review of the 2012.13 Pooling Working papers has commenced with the objective that that in future working papers can more easily be reconciled to the Statement of Accounts. The 2013.14 working papers will be compiled by the Principal Accountant for Capital and Treasury and reviewed for compliance with the recommendation by the Financial Controller."	Principal Accountant, Capital & Treasury	June 2014



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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