



SLOUGH BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014

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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 2014.

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 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 2014 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 2013). Appendix II contains an action plan and recommendations made following our audit of claims and returns for the period ended 31 March 2014.

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 benefit subsidy * | 14,423 | 29,345 |
| Pooling of housing capital receipts | 405 | 1,779 |
| TOTAL SCALE FEE | 14,828 | 31,124 |

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

Teachers' Pension Return

The audit of the Teacher's Pension Return was removed from the Audit Commission regime in 2013/14 and is not included in the scale fee. However, the Department for Education requires the return to be audited and a separate term of engagement was agreed in accordance with the scope of work specified by the Government department. The fee for this work was £3,500.

KEY FINDINGS

Summary of high level findings

| CLAIM OR RETURN | FINAL VALUE (£) | QUALIFIED? | AMENDED? | IMPACT OF AMENDMENTS (£) |
|---------------------------------|-----------------|------------|----------|--------------------------|
| Housing benefit subsidy | 74,778,460 | Yes | Yes | 289 |
| Pooled housing capital receipts | 2,029,170 | No | No | 0 |
| Teachers' pensions return | 7,730,090 | Yes | Yes | 997 |

Detailed Findings

Below are details of each grant claim and return subject to certification by BDO for the period ended 31 March 2014. 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 benefit subsidy

Local authorities responsible for managing housing 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.

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.

Findings and impact on claim

Our audit of 60 individual claimant files highlighted a number of errors in the Council's benefit administration and subsidy entitlement calculations. The errors mainly involved the incorrect recording of information (such as the classification of expenditure, property types and benefit overpayments). The Audit Commission requires that where errors are not considered to be 'isolated', additional samples are 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's transactional services provider reviewed over 280 additional cases covering all benefit types. The outcome is the same as the prior year when over 280 additional housing benefit cases were reviewed because of identified errors.

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. We were able to rely on the conclusions drawn by the Council's transactional services provider. Our work was completed satisfactorily and the claim was certified before the Government's deadline of 30 November 2014. Our audit certificate was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations) in a letter to the Department of Work and Pensions (DWP). The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year. Our qualification letter covered all of the benefit types awarded by the Council, as summarised overleaf.

| Benefit type | Error type | Impact on claim |
|--|---|---|
| HRA rent rebates - eligible overpayments | The Council misclassified overpayments between those eligible for subsidy (40% of expenditure) and local authority error (which does not attract any subsidy) | Based on our extrapolation of errors, we estimated the Council overstated the amount of eligible overpayments by £2,160 and correspondingly understated the amount of local authority error overpayments. |
| Rent allowances | The Council overpaid benefit when calculating the impact of the earnings of three self-employed claimants from an extended sample of 60 cases. | Based on our extrapolation of errors, we estimated the Council overstated the amount of local authority housing allowance expenditure by £14,708 and correspondingly understated the amount of local authority error overpayments for rent allowances. |
| | The Council underpaid benefit it applied to a claimant's earnings disregard incorrectly. | There is no impact on the Council's entitlement to subsidy where an underpayment of benefit arises. |
| Non-HRA Rent Rebates | The Council overpaid benefit when calculating the impact of the earnings of two claimants from an extended sample of 60 cases. | Based on our extrapolation of errors, we estimated the Council overstated the amount of Non HRA Rent Rebate expenditure by £644 and correspondingly understated the amount of local authority error overpayments for Non HRA rent rebates expenditure. |
| | The Council included properties which should have been classified as rent allowances expenditure in Non HRA Rent Rebate expenditure. | The total expenditure on Non-HRA rent rebates was overstated by £239,272. Correspondingly, expenditure on rent rebates benefit was understated by £124,901 and expenditure on rent allowances was understated by £114,371. |
| | The Council misclassified subsidy when calculating the maximum weekly amount and subsidy cap for seven claimants from an extended sample of 60 cases. | Based on our extrapolation of errors, we estimated the Council overstated the amount of expenditure up to the appropriate local housing allowance (LHA) rate by £12,913 (attracts 100% subsidy) and understated expenditure above the appropriate LHA rate (which has no entitlement to subsidy). |
| | The Council underpaid benefit it applied to a claimant's earnings disregard incorrectly. | There is no impact on the Council's entitlement to subsidy where an underpayment of benefit arises. |

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.

Teachers' pension contributions

Local authorities which employ teachers are required to deduct pension contributions and send them, along with employers' 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 EOYCa is certified but the work is not part of the Audit Commission's certification regime. We therefore agreed a separate term of engagement for this work and provided a limited assurance audit report before the Government's deadline for submitting the audited return.

Findings and impact on return

The return was amended because the amount of contributions paid in the year was understated by £997.

Our limited assurance audit report was qualified because the Council could not evidence that contributions administered by other payroll providers were complete and accurate. This is a financial control issue and our audit did not find any errors in the amount of contributions deducted from teachers' pay.




APPENDICES

APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

| RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING | PROGRESS |
|--|----------|--|--|------------|--|
| <p>Housing benefit claim</p> <p>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.</p> | 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 | <p>Our audit continues to find a high number of errors, particularly in the administration of Non-HRA Rent Rebates expenditure.</p> <p>The recommendation has not been fully implemented and is repeated at Appendix II.</p> |
| <p>Pooling of capital receipts return</p> <p>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.</p> | 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. | Financial Controller | March 2014 | The recommendation has been implemented. |

APPENDIX II: 2013/14 ACTION PLAN

| HOUSING BENEFIT SUBSIDY | | | | | |
|--|---|----------|--|---|------------|
| CONCLUSIONS FROM WORK | RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING |
| Our audit found a high number of errors in the administration of housing benefit by the Council. | <p>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.</p> <p>In particular, the Council should review the classification of property types between Non HRA rent rebates and other benefit types.</p> | High | Agreed. Transactional services require supporting documentation before setting up respective claims. | SBC transactional services client team / SBC transactional services provider. | March 2015 |
| TEACHER'S PENSION RETURN | | | | | |
| Our limited assurance audit report was qualified because the Council could not evidence that contributions administered by other payroll providers were complete and accurate. | The Council should evidence its review of information submitted by other payroll providers. | High | Partially agree - review where SBC has access to payroll providers information | SBC transactional services client team / SBC transactional services provider. | March 2015 |



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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