



# LONDON BOROUGH OF HARINGEY

## GRANT CLAIMS AND RETURNS CERTIFICATION

In respect of claims and returns for the year ended 31 March 2017

28 February 2018



# 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 2017.

### 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 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 2017.

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 in our Audit Plan. The indicative Housing benefits subsidy claim fee is set by PSAA.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
<b>PSAA regime</b>		
Housing benefits subsidy claim	38,223	38,223
<b>Total PSAA regime fees</b>	<b>38,223</b>	<b>38,223</b>

<b>Other certification work</b>		
Pooling of housing capital receipts return	3,500	* TBC
Teachers' pensions return	3,500	* TBC

<b>Total certification fees</b>	<b>45,223</b>	<b>* TBC</b>
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Additional testing has been required to resolve errors in the Teachers Pension return and to test prior year qualifying expenditure for pooled housing capital receipts omitted from returns in previous years. Additional fees are to be agreed.

## KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2017. 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	£262,033,744	YES	YES	£445 subsidy claimed (but likely to be further amended by DWP)
Pooling of housing capital receipts	£21,704,514	NO	YES	+£86,100 additional capital receipts
Teachers' pensions	£17,705,798	YES	YES	+£32,735 payable to Teachers Pensions

### 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 Council for the financial year is submitted 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 has claimed subsidy of £262,033,299. The final claim was amended to £262,033,744.

In recent years, we have reported on a significant number of errors found in our testing of benefits awarded to claimants. Last year, DWP proposed withholding a significant amount of subsidy to the Council as a result of the weaknesses in arrangements for administering benefits and through the subsidy arrangements that removed all funding of overpayments as a result of local authority errors or administrative delays where this exceeded a predefined threshold. Additional work undertaken last year reduced the loss to the Council and an action plan was developed to improve the processing of benefits, provide training to assessors and to reduce the backlog of claims and change in circumstances forms.

While we have noted some improvement this year, we continue to identify a large number of errors through our testing of benefits awarded. For all errors, we are required to test an additional sample of 40 cases with similar characteristics. A summary of these issues can be found on the following pages.

The impact of the corrections made to the amended subsidy claim, where we could quantify the errors, has been to increase subsidy by £445. However, where we have been unable to quantify the errors across the population we have estimated the potential error by extrapolating the error rate across the relevant cases. These extrapolated errors have not been corrected and we have noted the potential loss of subsidy on the following pages.

DWP will be expected to respond to the Council and may suggest that it will withhold these amount unless the Council is able to demonstrate that these extrapolations are not representative of the underlying errors in assessments.

The claim was certified on 19 December 2017 referring to above errors.

## KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Self-employed income assessments	<p>Non-HRA: we found 12 assessments with errors in calculations, where 1 case resulted in an overpayment and the other 11 either had no impact or resulted in underpaid benefits. 7 of the underpayments should have been offset against other overpayments in the current and prior year.</p> <p>HRA: we found 6 assessments with errors in the calculations, where 2 cases resulted in an overpayment and the other 4 either had no impact or resulted in underpaid benefits. 4 of the underpayments should have been offset against other overpayments in the current and prior year.</p> <p>Rent allowances: we found 8 assessments with errors in calculations, where 1 case resulted in an overpayment and the other 7 either had no impact or resulted in underpaid benefits. 2 of the underpayments should have been offset against other overpayments in the current year.</p>	Extrapolation of self-employed earnings errors suggests that subsidy may be over claimed by £25,464 for the current year although subsidy loss through prior year overpayments could be reduced by £1,912.
Earned income assessments	<p>Non-HRA: we found 10 assessments with errors in calculations, where 2 cases resulted in an overpayment and the other 8 either had no impact or resulted in underpaid benefits. 5 of the underpayments should have been offset against other overpayments in the current and prior year.</p> <p>HRA: we found 3 assessments with errors in the calculations but each either had no impact or resulted in underpaid benefits. 1 of the underpayments should have been offset against other overpayments in the current year.</p> <p>Rent allowances: we found 8 assessments with errors in calculations, where 2 cases resulted in an overpayment and the other 6 either had no impact or resulted in underpaid benefits. 3 of the underpayments should have been offset against other overpayments in the current year.</p>	Extrapolation of earned income errors suggests that subsidy may be under claimed by £98,311 for the current year and subsidy loss through prior year overpayments could be reduced by £237,580.
Working tax credits	<p>Non-HRA: we found 2 assessments with errors in the calculation, both resulting in overpayments.</p> <p>Rent Allowances: we found 2 assessments with errors in the calculation, both resulting in underpayments.</p>	Extrapolation of working tax credits errors suggests that subsidy may be over claimed by £10,730.

## KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Child care costs	<p>Non-HRA: we found 7 assessments with errors in the calculations, where 4 cases resulted in an overpayment and the other 3 either had no impact or resulted in underpaid benefits. 1 of the underpayments should have been offset against other overpayments in the current year.</p> <p>HRA: we found 11 assessments with errors in the calculations, where 7 cases resulted in an overpayment and the other 4 either had no impact or resulted in underpaid benefits. 3 of the underpayments should have been offset against other overpayments in the current and prior year.</p>	Extrapolation of child care costs errors suggests that subsidy may be over claimed by £20,045 for the current year although subsidy loss through prior year overpayments could be reduced by £1,577.
Non-dependant deductions	HRA: we found 2 assessments with errors in the calculations but each either had no impact or resulted in underpaid benefits. Both of the underpayments should have been offset against other overpayments in the current and prior year.	Extrapolation of non-dependant deduction errors suggests that subsidy may be under claimed by £338 for the current year and subsidy loss through prior year overpayments could be reduced by £1,014.
State pensions income	<p>HRA: we found 8 assessments with errors in the calculations, where 1 case resulted in an overpayment and the other 7 either had no impact or resulted in underpaid benefits. 1 of the underpayments should have been offset against other overpayments in the current and prior year.</p> <p>Rent Allowances: we found 12 assessments with errors in the calculations, where 2 cases resulted in an overpayment and the other 10 either had no impact or resulted in underpaid benefits. 1 of the underpayments should have been offset against other overpayments in the current and prior year.</p>	Extrapolation of state pension errors suggests that subsidy may be over claimed by £2,147 for the current year although subsidy loss through prior year overpayments could be reduced by £491.
Occupational pensions income	<p>HRA: we found 3 assessments with errors in the calculations but each either had no impact or resulted in underpaid benefits. 1 of the underpayments should have been offset against other overpayments in the current and prior year.</p> <p>Rent Allowances: we found 3 assessments with errors in the calculations, where 2 cases resulted in an overpayment and the other had no impact or resulted in underpaid benefits. The underpayment should have been offset against other overpayments in the prior year.</p>	Extrapolation of occupational pension errors suggests that subsidy may be under claimed by £6,392 for the current year and subsidy loss through prior year overpayments could be reduced by £29,648.

## KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Classification of eligible overpayments	<p>Non-HRA: we found 5 cases where the eligible overpayment had been misclassified and 2 of these cases where the overpayment calculation was incorrect.</p> <p>HRA: we found 3 cases where the eligible overpayment had been misclassified.</p> <p>Rent allowances: we found 1 cases where the eligible overpayment had been misclassified and 1 case where the overpayment calculation was incorrect. We also found 1 case where the prior year overpayment calculation was incorrect.</p>	Extrapolation of eligible overpayment errors suggests that subsidy may be over claimed by £9,124 for the current year although subsidy loss through prior year overpayments could be reduced by £1,470.
Classification of technical overpayments	Non-HRA: we found 6 cases where the technical overpayment had been misclassified.	Extrapolation of technical overpayment errors suggests that subsidy may be under claimed by £641.
Classification of local authority overpayments	Rent Allowances: we found 10 cases where the local authority overpayment had been misclassified and 1 of these cases where the overpayment calculation was incorrect.	Extrapolation of local authority overpayment errors suggests that subsidy may be under claimed by £40,505.
Rent amounts	Rent Allowances: we found 2 assessments with errors in the rents used, where 1 case resulted in an overpayment and the other had no impact.	<p>Extrapolation of rent calculation errors suggests that subsidy may be over claimed by £7,358.</p> <p>Therefore, any increase in subsidy arising from adjustments for extrapolated errors would be offset by a reduced amount recoverable for local authority errors allowance.</p>
Impact on local authority error threshold	Local authorities receive full rate subsidy on local authority error overpayments where these do not exceed 0.48% of total benefits and at reduced 40% rate if these errors do not exceed 0.54%. The total amount of local authority errors, before the extrapolated errors above, is currently below the lower threshold and £1,113,247 is being recovered in full.	The total of extrapolated errors above relating to current and prior year local authority error overpayment would reduce these overpayments by £78,913.
Disability Living Allowances	HRA: we completed testing of all similar cases and found local authority overpayment errors totalling £5,676.	Subsidy claim corrected and no impact as the Council remains within the local authority error threshold.
Severe disability premium	Rent Allowances: we completed testing of all similar cases and found local authority overpayment errors totalling £3,495.	Subsidy claim corrected and no impact as the Council remains within the local authority error threshold.
War pension disregards	Modified schemes: we completed testing of all similar cases and found errors that reclassify amounts and increase normal benefit entitlement by £1,777 (HRA and Rent Allowances) and reduce the modified scheme element by the same amount.	Subsidy claim corrected and increased amount claimed by £445 as normal entitlement is recovered in full whereas the modified scheme benefit is recovered at 75%.



## KEY FINDINGS

### POOLING OF HOUSING CAPITAL RECEIPTS

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 Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

The return provided for audit recorded total receipts of £21,696,540 for 154 disposals and £7,974 for mortgage interest on previous disposals. A significant amount of sales receipts were transferred into 1-4-1 new build budgets that are time limited to remain exempt from pooling.

### FINDINGS AND IMPACT ON RETURN

This was the first year that we have reviewed this return and in previous years this has been certified by Grant Thornton LLP.

Our review found the following errors in the draft return that were corrected:

- One property included as a disposal related to a return of previous RTB discount monies where the owner had re-sold the property within the qualifying 5 year period, and therefore should not have been disclosed as a new disposal in the year with the associated attributable debt allowance.
- One RTB disposal of £86,100 was inappropriately excluded from the return.

We also noted that no amounts had been included as qualifying 1-4-1 replacement expenditure for the current year or in previous years. The Council is allowed to retain a significant amount of RTB receipts but these must be applied to new 1-4-1 social housing expenditure within a set timescale. By failing to disclose this expenditure, the Council would be obliged to return the retained 1-4-1 receipts to Government.

The Council reviewed its records and contacted DCLG to re-open previous years' returns. The Council was allowed to amend the return to include 1-4-1 expenditure of £10,467,121 in the past three years (2014/15 £3,885,261, 2015/16 £659,230 and 2016/17 £5,922,629). DWP has sought assurance from audit testing for the current and previous years.

Our sample testing confirmed that this 1-4-1 expenditure in the current year and previous two years was appropriate and can be included as qualifying expenditure.

The result of the corrections increased receipts subject to pooling by £86,100.

# KEY FINDINGS

TEACHERS' PENSIONS	FINDINGS AND IMPACT ON RETURN
<p>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 EOYC, which the Council is required to submit to Teachers’ Pensions.</p> <p>The return provided for audit recorded total pensions payable at £17,705,798 on payroll costs of £66.8 million.</p>	<p>This was the first year that we have reviewed this return and in previous years this has been certified by Grant Thornton LLP.</p> <p>Our review found the following errors that have been corrected:</p> <ul style="list-style-type: none"> <li>• Monthly payroll was omitted for one school with outsourced payroll resulting in additional amounts payable of £18,957</li> <li>• One school had made additional payments in respect of deductions for two months but had not informed the Council of these deductions. While the payments to Teachers Pension were included in the return, an adjustment was required to also include these deductions totalling £15,029.</li> <li>• Employer contributions of £487 were not deducted for one teacher for a school that had outsourced its payroll. The school has agreed to make this payment to Teachers Pension through the Council and this has been added into the return for deductions payable.</li> <li>• Refunds amounts did not agree to supporting records and decreased amount recoverable by £1,738.</li> </ul> <p>Other uncertainties and errors not corrected:</p> <ul style="list-style-type: none"> <li>• One teacher had opted out of the pension scheme but the Teachers Pension web portal had recorded the teacher as “not confirmed” and it is not clear whether pension benefits are being earned for this teacher</li> </ul> <p>The result of the corrections reduced the amount recoverable from Teachers Pension by £32,735.</p>



## APPENDICES

## APPENDIX: 2016/17 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<b>Housing benefits subsidy</b>					
While we have noted some improvements in the processing of benefit claims, there continues to be a high number of errors where benefits paid to claimants is incorrect.	Provide additional training and focused quality control spot checks on areas with common errors.	High			
<b>Pooling of housing capital receipts</b>					
1-4-1 expenditure on replacement social housing had been excluded from the DCLG return for a number of years.	<p>To ensure the qualifying 1-4-1 expenditure on replacement social housing is included in the return to demonstrate that retained capital receipts are being applied in accordance with the required timescales.</p> <p>Ensure that the Council has an appropriate plan to use the remainder of the retained receipts ahead of the required timescales to minimise the risk of having to surrender these receipts to the national pool.</p>	High			
<b>Teachers Pension return</b>					
One monthly outsourced school payroll was omitted from the return and one school made two additional payments direct to Teachers Pensions that were not part of the payroll reports for contributions payable.	<p>Ensure that all schools with outsourced payrolls provide details of payroll amounts for teacher pension contributions for each month.</p> <p>Obtain supporting information for any additional amounts paid directly to Teachers Pensions.</p>	Medium			

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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