

**Bristol City Council  
Audit Committee  
29 January 2016**

**Report of:** Service Director (Finance)

**Title:** Grant Thornton - Grant Certification Letter 2014-15

**Ward:** Citywide

**Officer presenting report:** Grant Thornton UK LLP

**Contact telephone number:** 0117-92-22419

**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's Grant Certification Letter for 2014-15.

**Summary**

Attached to this report is Grant Thornton's Grant Certification Letter for the year ended 31 March 2015.

The letter summarises the key issues arising from the work that Grant Thornton carried out on Grant claims and returns at Bristol City Council during 2014-15 under the Public Sector Audit Appointments Ltd certification arrangements.

**Policy**

None affected by this report. Grant Thornton were the Council's appointed external auditors for 2014-15. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998, the Local Audit and Accountability Act 2014 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

**Consultation**

**Internal:** Grant Thornton consulted with the Interim Service Director, Finance and senior officers from the Benefits team before finalising the Grant Certification Letter.

**External:** None.

## **1 Introduction**

- 1.1 Grant Thornton is required to certify claims and returns submitted by Bristol City Council to central government departments. This letter summarises the work undertaken, and the conclusions from the work.
- 1.2 They have discussed the report with the the Interim Service Director – Finance and senior officers from the Council's benefits team.
- 1.3 Barrie Morris, the appointed auditor responsible for the City Council's audit for 2014-15 will be attending the Committee, and will be pleased to answer Members' questions.

### **Other Options Considered**

Not applicable.

### **Risk Assessment**

Not as a result of this report.

### **Equalities Impact Assessment**

There are no issues arising from this report.

### **Legal and Resource Implications**

None arising from this report.

### **Appendices:**

Appendix 1: Grant Thornton's Grant Certification Letter 2014-15.

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:** None



# Grant Thornton

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13 January 2016

Dear Janet

## **Certification work for Bristol City Council for year ended 31 March 2015**

We are required to certify certain claims and returns submitted by Bristol City Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified one return for the financial year 2014/15 relating to Housing Benefit which had expenditure of £186.8 million. Further details of this return is set out in Appendix A.

There were issues arising from our certification work which we wish to highlight for your attention. The Council needs to ensure that these matters are addressed to improve its arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return, teachers pensions return and pooling housing capital receipts return) have been removed. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £11,810. This is set out in more detail in Appendix B. This fee will be varied, subject to approval from PSAA, if less or additional work is required.

### **Chartered Accountants**

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The certification of the Council's Housing Benefits return for 2014-15 has not been straightforward for a number of reasons. The level of errors that we identified this year, which resulted in additional 40+ testing being required in eight areas, far exceeded the level that we have identified in previous years, which is used to plan our audit resource requirements and determine the fee scales set by the Audit Commission. This, coupled with the Council's request that we re-perform higher than expected levels of 40+ cases beyond our standard approach, contributed to the delay in the completion of our work beyond the Department for Work and Pension (DWP) deadline of 30 November 2015. Our final certificate and qualification letter was issued on 2 December 2015.

- This additional work required has required us to propose a variation to the Council's certification scale fee, increasing this to £27,754. This proposed fee is subject to approval by the PSAA.

Yours sincerely

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, slightly slanted style.

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014/15

| Claim or return                        | Value       | Amended? | Amendment (£)   | Qualified? | Comments  |
|--|-------------|----------|---|------------|---|
| BEN01 - Housing benefits subsidy claim | 186,790,375 | Yes      | <p>Cell 26 is overstated by £1,834</p> <p>Cell 28 is understated by £1,834</p> <p>Cell 33 is overstated by £192</p> | Yes        | <p>Our testing of an initial sample of 20 cases for each of the three benefit types identified the following errors:</p> <p><b>Non HRA Rent rebates</b></p> <ul style="list-style-type: none"> <li>• Three cases where the Council had underpaid benefit as a result of incorrectly assessing rent</li> <li>• One case was recorded incorrectly as a prior year overpayment</li> <li>• One case where the overpayment had been incorrectly classified</li> </ul> <p><b>Rent Rebates</b></p> <ul style="list-style-type: none"> <li>• One case where benefit was underpaid as a result of not applying the correct number of bedrooms in assessing eligible rent</li> <li>• One case where benefit was underpaid as a result of incorrectly assessing earned income</li> <li>• One case where the overpayment had been incorrectly classified</li> </ul> <p><b>Rent allowances</b></p> <ul style="list-style-type: none"> <li>• Two cases where earned income had been incorrectly calculated and recorded</li> </ul> <p>40+ testing was carried out on one area as a result of errors arising in earned income assessment in the previous year. Further 40+ testing was carried out in seven other areas due to the errors identified above.</p> <p>All 40+ testing was undertaken by the Council and re-performed by the audit team. When completing 40+ testing, we typically expect the Council to undertake the work and then provide details to us of those cases that have failed. Our approach is then to complete a</p> |

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|  |  |  |  |  | <p>review of all failed cases and an additional sample proportion of those cases that have been assessed as a 'pass' to check the Council's results and conclusions for reasonableness. However, the Council chose not to provide a list of failed cases arising from additional 40+ testing and requested us to form our own objective judgement on the pass/fail conclusion across all of the cases reviewed and not just a sample. The additional assurance that this approach provided to the Council resulted in extra time and audit resource required to conduct and conclude our work.</p> <p>Of the eight sets of 40+ testing completed, two of these areas had a total population of less than 100 cases and so a review of the full population was required. There was a total population of 22 cases in both these areas. Amendments were made to the claim form for one of the areas tested in this respect. All other areas were subject to report in the Council's qualification letter. Additional errors were identified from our 40+ testing carried out in these areas were as follows:</p> <p><b>Non HRA Rent rebates</b></p> <ul style="list-style-type: none"> <li>• Two further cases where the Council had underpaid benefit as a result of incorrectly assessing rent</li> <li>• One further case was recorded incorrectly as a prior year overpayment (the claim form was amended for this area)</li> <li>• 15 further cases where the overpayment had been incorrectly classified</li> </ul> <p><b>Rent rebates</b></p> <ul style="list-style-type: none"> <li>• Two further cases where benefit was under or overpaid as a result of not applying the correct number of bedrooms in assessing eligible rent</li> <li>• Four further cases where benefit was underpaid as a result of incorrectly assessing earned income</li> <li>• Five further cases where the overpayment had been incorrectly classified</li> </ul> |
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|  |  |  |  |  | <p><b>Rent allowances</b></p> <ul style="list-style-type: none"><li>• 10 further cases where earned income had been incorrectly calculated and recorded</li></ul> <p>As a result of the findings from our audit, we were required to write a qualification letter to the DWP setting out our findings and conclusions.</p> |
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**Appendix B: Fees for 2014/15 certification work**

| Claim or return                        | 2013/14 fee (£) | 2014/15 indicative fee (£) | 2014-15 actual fee (£) | Variance (£) | Explanation for variances  |
|--|-----------------|----------------------------|------------------------|--------------|--|
| Housing benefits subsidy claim (BEN01) | 15,388          | 11,810                     | 27,754*                | 15,944       | The level of errors that we identified this year, which resulted in additional testing being required in eight areas, far exceeded the level that we have identified in previous years, used as the basis for the scale fee. This, coupled with the Council's request that we re-perform higher than expected levels of 40+ cases beyond our standard approach, and a high error rate in the additional 40+ carried out contributed to significant levels of additional work required. |

\* Final fee subject to PSAA approval