



BRISTOL CITY COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2016



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 once included within the scope of the audit have now been removed. Funders may still seek external assurance over the accuracy of the claim or return but these reviews are now undertaken outside of our appointment by PSAA and under separate terms.

In 2015/16, this “other” certification work included work in connection with pension contributions for teachers employed by the Council and paid over to the Teachers’ Pension Scheme for the year to 31 March 2016.

Other pieces of work completed included certification of various returns and grant claims where the Council has been allocated funding and the funding body has sought assurance about the Council’s use of the funding. These include work in connection with the Innovate UK funded Venturer Project and the Invest Bristol and Bath project being funded by West of England LEP.

Our work in connection with the Ashton Vale to Temple Meads and Bristol City Centre MetroBus project funded by the Department for Transport (DfT) was substantially complete at the date of writing this report.

Fees

We reported our original fee proposals in our Audit Plan. The fee in connection with Teachers’ Pensions was increased to reflect additional costs incurred when we needed to undertake additional audit work after the initial sample testing was completed (see details on page 4).

We will continue to update the Audit Committee with the details of all non-audit assignments that we complete throughout the year.

Details of the fees charged for each of the projects undertaken is set out below.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
Housing benefits subsidy	10,703	10,703
Other certification work		
Teachers’ pensions return	7,500	12,500
LEP - Invest Bristol and Bath	5,000	5,000
Innovate UK funded Venturer project	1,500	1,500
Ashton Vale to Temple Meads and Bristol City Centre Metrobus expenditure	4,500	4,500
Total certification fees	29,203	34,203

KEY FINDINGS

Set out below are the details of the grant claims that have been subject to certification by us for the financial year ended 31 March 2016 and where the work has been completed and which include the following:

- Housing Benefit Subsidy;
- Teachers' Pensions contributions return ;
- Innovate UK Project funded by the Technology Strategy Board; and
- Invest Bristol and Bath and where the Council is working with Bath and North East Somerset Council on a scheme funded by the Local Enterprise Partnership (LEP).

We are currently completing our procedures for the 2015/16 expenditure incurred on the Ashton Vale to Temple Meads and Bristol City Centre element of the MetroBus project . The Department for Transport (DfT) has allocated approximately £20 million as funding for 2015/16 and specified a range of procedures for completion as part of the terms of the funding. We have substantially completed our work and anticipate completing the DfT procedures by mid-February 2017.

The work in connection with the Innovate UK funded Venturer Project identified no significant issues to be reported to the Audit Committee.

HOUSING BENEFIT SUBSIDY	FINDINGS AND IMPACT ON RETURN
<p>Local authorities responsible for managing housing benefit claim a subsidy towards the cost of these benefits from central government.</p> <p>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.</p> <p>Our work programme includes testing a sample of claimant records to underlying records for 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.</p> <p>The methodology and sample sizes are prescribed by PSAA and DWP.</p> <p>We have no discretion over how this methodology is applied.</p> <p>The draft subsidy return provided for included a total amount of £184,769,245.</p>	<p>The testing of records requires both the auditor and the Council to test samples of claimants. In addition, where the testing that has been performed by the Council, we are required to perform additional sample testing to test the accuracy of the Council's own testing.</p> <p>Samples of transactions were taken from the claim and in total, 200 records were checked during this process.</p> <p>Errors with an aggregate value of approximately £5,000 were identified, although not all of the errors had an impact upon the subsidy claim. Where errors are identified in the testing that do affect subsidy, the impact of the error needs to be estimated across all of the claims (extrapolated) for that element of the claim. Where there is no impact on the subsidy claim we are required to report this within our qualification letter.</p> <p>The testing of claimant records identified 35 individual errors with a total value of approximately £5,000. When the errors that did impact upon the claim were extrapolated across the whole of the population in that area, the impact on the claim amounted to approximately £75,000. The estimated impact is therefore significantly less than was the case in 2014/15.</p> <p>We were required to report the information arising from the work in our qualification report which we submitted to the Department of Work and Pensions (DWP) together with the Council's subsidy claim on 28 November 2016.</p> <p>The Council has received a request from DWP for further information and we are currently working with Council officers to provide the additional information that DWP have requested and expect that this will be concluded shortly.</p>

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).

Individual teachers pay a contribution rate that is dependent upon actual salary and the contribution rates range from 7.4% for teachers earning less than £26,000 per annum to 11.7% for any teacher earning in excess of £75,000. In addition to the contributions made by individual teachers that are members of the scheme, the employer pays a further contribution and in 2015/16 this amounted to 14.1% for the period to 31 August 2015 and was increased to 16.4% on 1 September 2015. The aggregate pay for teachers in Bristol schools amounted to approximately £60 million in 2015/16 and total contributions to Teachers Pensions made by the Council amounted to approximately £15 million for the year.

These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions and in 2015/16 the Council paid approximately £15 million in contributions (both employers and employees).

The Department for Education requires that Form EOYC is certified but the work is not part of PSAA's certification regime.

We therefore agreed separate terms of engagement for this work and provided a limited assurance audit report and which we issued to the Council shortly before the 30 November 2016 deadline for submitting form EOYCa.

FINDINGS AND IMPACT ON RETURN

Although we did not qualify our audit report we did identify some errors in the EOYCa that was initially submitted to us for audit and these needed to be corrected.

In our testing, we identified one error where the incorrect Member Contribution Rate had been applied to one of teachers included in our sample for testing. It was therefore necessary to correct this error and also test further records for teachers with similar circumstances (in this case the error had arisen because the Council was recovering a previous overpayment and this had not been correctly treated for pension contribution rate purposes).

The additional testing of teachers with similar attributes identified that the error was not an isolated exception and affected other teachers with similar circumstances. This was investigated and the total error involving an adjustment of approximately £1,000 was corrected in the revised return that was ultimately submitted to Teachers' Pensions.

DETAILED FINDINGS

OTHER AREAS	FINDINGS AND IMPACT ON RETURN
<p>Innovate and LEP funded scheme</p> <p>Our work in connection with the expenditure incurred in connection with the Innovate UK project and the LEP funded project involved assessing a sample of transactions in connection with the scheme and testing to confirm that the expenditure had been correctly reported and was for items that were within the scheme rules.</p> <p>Metrobus Scheme</p> <p>The work in connection with the Metrobus scheme is substantially complete and we expect to finalise our testing by the end of January. In our testing we examine a sample of transactions and perform a range of audit tests including confirming the individual items of expenditure have been appropriately authorised.</p>	<p>There were no issues in connection with the Innovate Project or the LEP funded scheme.</p> <p>In both cases a report was issued to the funder confirming that our work had not identified any issues that needed to be reported to the funder.</p> <p>The work in connection with the DFT claim is substantially complete and no significant issues have been identified in the testing performed to date. Subject to receiving the outstanding items of information that has been requested from officers, we expect to be able to complete this assignment by the end of January.</p>

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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