



Bristol City Council

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2018
15 March 2019

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2018.

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 other grant claims and returns are not within the scope of our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return. These assurance reviews are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council engaged us to carry out 'Agreed-upon procedures' based on the instructions and guidance provided by the Department for Education, of the Teachers' pensions return for the year ended 31 March 2018.

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.

AUDIT QUALITY

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at www.bdo.co.uk

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KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2018. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided on the following pages.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS(£)
Housing benefit subsidy	£166,994,091	YES	YES	£(403)
Teachers' pensions	£14,511,471.34	NO	YES	£257

DETAILED FINDINGS

HOUSING BENEFIT SUBSIDY

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 to central government 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 recorded amounts claimed as subsidy of £166,994,091. The final submission was decreased by £403 to £166,993,688.

FINDINGS AND CONCLUSION

Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement.

Guidance requires auditors to undertake extended 40+ testing if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this within our qualification letter.

The results of the testing of the initial 60 cases gave rise to 5 areas of 40+ testing and 1 amendment to the claim form.

PSAA's methodology 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.

Our work was completed and the claim was certified on 28 January 2019, which was after the Government's deadline of 30 November 2018. Our audit certification 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. The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year.

A summary of our audit findings can be found on the next page.

BENEFIT TYPE	ERROR TYPE	IMPACT ON CLAIM
Non-HRA rent rebates - short term leased and self-contained licensed accommodation for the Local Authority is the landlord	<p>Testing of our initial sample of 20 Non-HRA rent rebate cases identified 1 case where expenditure had been incorrectly calculated following a change of address, resulting in benefit being overpaid. '40+ testing' was carried out to quantify the results.</p> <p>Our testing identified that a change of address had been incorrectly applied in benefit calculations in 1 case resulting in benefit being overpaid.</p> <p>An extrapolation was included within the Qualification Letter.</p>	<p>Based on our extrapolation of the errors identified, we estimated the Council overstated benefit expenditure by £1,576. The corresponding adjustment is to Local Authority Error overpayments.</p> <p>If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £1,576.</p>
Rent rebates - backdated expenditure	<p>Testing of our initial sample of 20 rent rebate cases identified 1 case where expenditure had been incorrectly included in the backdated expenditure cell. '40+ testing' was carried out to quantify the results.</p> <p>Our testing identified that expenditure had been included incorrectly in the backdated expenditure cell in 11 cases resulting in subsidy being understated in 2 cases, overstated in 1 case, and 8 cases where there was no impact on the subsidy calculation.</p> <p>An extrapolation was included within the Qualification Letter.</p>	<p>Based on our extrapolation of the errors identified, we estimated the Council overstated benefit expenditure by £189. The corresponding adjustment is to Local Authority Error overpayments.</p> <p>If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £189.</p>

BENEFIT TYPE	ERROR TYPE	IMPACT ON CLAIM
Rent allowance - backdated expenditure	<p>Testing of our initial sample of 20 rent allowance cases identified 1 case where expenditure had been incorrectly included in the backdated expenditure cell. '40+ testing' was carried out to quantify the results.</p> <p>Our testing identified that expenditure had been included incorrectly in the backdated expenditure cell in 16 cases resulting in subsidy being overstated in 1 case, and 15 cases where there was no impact on the subsidy calculation.</p> <p>An extrapolation was included within the Qualification Letter.</p>	<p>Based on our extrapolation of the errors identified, we estimated the Council overstated benefit expenditure by £271. The corresponding adjustment is to Local Authority Error overpayments.</p> <p>If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £271.</p>
Rent allowance - expenditure under the Rent Officer Arrangements: Cases Excluded from the Requirements to Refer to the Rent Officer	<p>Testing of our initial sample of 20 rent allowance cases identified 1 case where the rent had been input incorrectly in the benefit calculation, resulting in benefit being underpaid. '40+ testing' was carried out to quantify the results.</p> <p>No errors were identified.</p>	<p>As there is no eligibility for subsidy which has not been paid, the underpayment identified does not affect subsidy.</p>
Two home manual adjustments	<p>Testing of our initial sample of manual adjustments identified 1 case where a manual adjustment which was not required had been recorded. '40+ testing' was carried out to quantify the results.</p> <p>Our testing identified that manual adjustments had been incorrectly raised/calculated in 5 cases resulting in subsidy being understated in 2 cases and overstated in 3 cases.</p> <p>An extrapolation was included within the Qualification Letter.</p>	<p>Based on our extrapolation of the errors identified, we estimated the Council overstated benefit expenditure by £8,876. The corresponding adjustment is to Local Authority Error overpayments.</p> <p>If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £8,876.</p>

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). These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions.

The Department for Education requires that Form EOYC is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide an 'agreed-upon procedures' assurance report before the Government's deadline for submitting the audited return.

FINDINGS AND IMPACT ON RETURN

We found one reportable issue to include within the report.

We checked that the breakdown of contributions in each tier casts to the percentage rate of the contributory salary. There were variances noted on all tiers. This caused the total teachers' contribution to increase to £5,014,054.08 and employer's to decrease to £9,058,717.07. The net effect of this is an overall unpaid balance of £256.70.

The Authority noted that these issues arose due to errors made by the salary provider for the outsourced schools.

APPENDICES

APPENDIX I: FEES SCHEDULE

	2017/18 FINAL	2017/18 PLANNED	2016/17 FINAL	EXPLANATION FOR VARIANCES
	£	£	£	
PSAA regime				
Certification fee (Housing benefit subsidy claim)	TBC	Scale	25,528	The budget was set on the expectation of only undertaking one set of 40+ testing, but six sets of 40+ testing were required.
TOTAL PSAA REGIME FEES	TBC	Scale	25,528	
Other certification work				
• Teachers' pensions return	£7,950	£7,950	7,650	N/A
TOTAL CERTIFICATION FEES	TBC	TBC	7,650	



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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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