EPPING FOREST DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2017
18 January 2018

BDO

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 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 other grant claims and returns are not within the scope 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 has engaged us to carry out a 'reasonable assurance' review, based on the instructions and guidance provided by the Department for Communities and Local Government (DCLG), of the Pooling of housing capital receipts return for the year ended 31 March 2017. The finalisation of the unaudited pooling of capital receipts return has been delayed while discussions continue between DCLG regarding the final spend position and the Council and therefore we have not completed this work at the time of drafting this report. The deadline for submission of the audited return was 30 October 2017 and we expect to be able to certify the return in February 2018 once the Council has certified the draft claim and discussions with DCLG have been concluded.

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 totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is 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 reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the 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 audits.

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

CONTENTS

INTRODUCTION 1
CONTENTS.....2
KEY FINDINGS 3
DETAILED FINDINGS 4
APPENDICES 6
APPENDIX I: STATUS OF 2015/16 RECOMMENDATIONS 7
APPENDIX II: FEES SCHEDULE.....8

KEY FINDINGS

Below are details of the housing benefit grant claim 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 (or both), further information is provided on the following pages.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS(£)
Housing benefit subsidy	£35,332,121	YES	NO	N/A

DETAILED FINDINGS

HOUSING BENEFIT SUBSIDY	FINDINGS AND CONCLUSION
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 £35,332,121. No amendments were made to the draft claim.	Our audit of 60 individual claimant files highlighted two errors in administering benefit and calculating subsidy entitlement, both of which were reported as observations only, as opposed to “errors” as they resulted in understatement of cell values and did not affect the subsidy amounts. Consequently, extended testing was not required. 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. One area of 40+ testing was undertaken as a result of a prior year reported error. PSAA’s methodology requires auditors to reperform 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 and no errors were identified. Our work was completed and the claim was certified before the Government’s deadline of 30 November 2017. Our audit certification was qualified and the matters identified were reported in a letter to the Department of Work and Pensions. A summary of our audit findings can be found on the next page.

BENEFIT TYPE	ERROR TYPE	IMPACT ON CLAIM
Benefit software: reconciliation of benefit granted to benefit paid	The Council uses Capita benefit software. The software supplier provides a method for the Council to reconcile benefit granted per the benefit software to benefit paid per the benefit software. The reconciliation resulted in a difference of £650 against cell 055 which could not be explained by the Council and was, therefore, not investigated further. Completion of the internal validation element of the reconciliation identified an imbalance for private tenants of £39.42. This difference could not be explained by the Council and was, therefore, not investigated further.	These matters had no impact on the subsidy return but were reported in our qualification letter.
Rent rebates	Testing of the initial sample of 20 cases identified one case where an overpayment posted to Cell 066 was subsequently netted off in error to nil. This resulted in the understatement of Cell 066 and Cell 055 by £84.92 and was not investigated further.	This matter had no impact on the subsidy return but was reported in our qualification letter.
Rent rebates	Testing of the initial sample of 20 cases identified one case where an overpayment posted to Cell 067 was subsequently netted off in error to nil. This resulted in the understatement of Cell 067 and Cell 055 by £77.90 and was not investigated further.	This matter had no impact on the subsidy return but was reported in our qualification letter.

APPENDICES

APPENDIX I: STATUS OF 2015/16 RECOMMENDATIONS

RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING	PROGRESS	STATUS
Housing Benefits Provide refresher training to all benefits assessors to ensure they are aware of how earned income should be calculated in accordance with the regulations.	Medium	Benefits Manager	June 2017	Training is provided to the team on an ongoing basis. We did not identify any errors in the calculation of earned income in our 2016/17 certification work.	Closed

APPENDIX II: FEES SCHEDULE

	2016/17 FINAL £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
PSAA regime				
Certification fee (Housing benefit subsidy claim)	18,533	18,533	18,533	N/A
TOTAL PSAA REGIME FEES	18,533	18,533	18,533	
Other certification work				
Pooling of Housing Capital Receipts return	TBC	2,000	2,000	N/A
TOTAL CERTIFICATION FEES	TBC	20,533	20,533	

FOR MORE INFORMATION:

ZOE THOMPSON
Engagement lead

T: +44 (0)1473 320 734
E: zoe.thompson@bdo.co.uk

NICK BERNSTEIN
Manager

T: +44 (0)20 7034 0810
E: nick.bernstein@bdo.co.uk

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.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2018 BDO LLP. All rights reserved.

www.bdo.co.uk