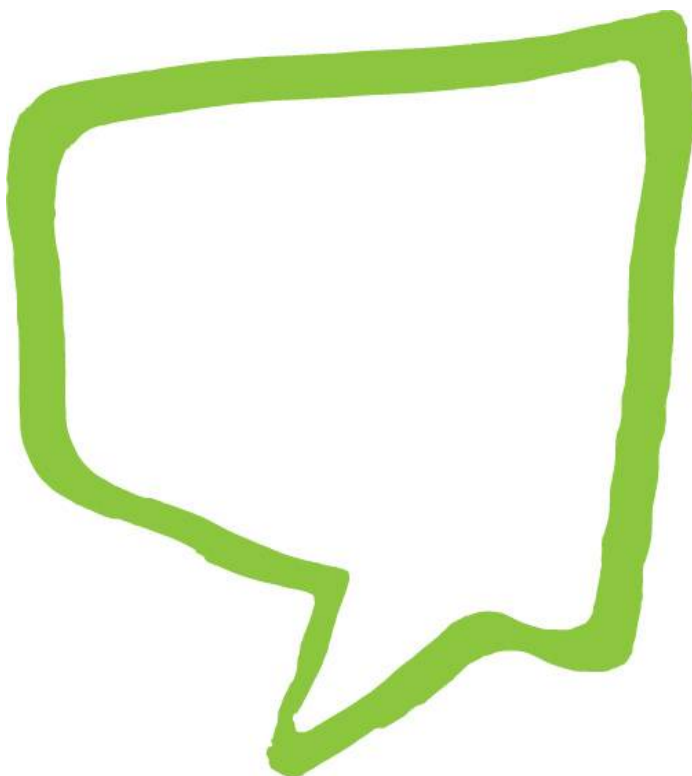


Certification of Claims and Returns - Annual Report

London Borough of Brent

Audit 2008/09

February 2010



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Status of our Reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction

- 1 In our role as appointed auditor we are required to certify grant claims and returns for expenditure incurred by the Authority. Each claim is certified in accordance with the relevant Certification Instruction (CI). These are agreed between the Audit Commission and the grant paying department. This report summarises the significant issues from our certification of grant claims for 2008/09.
- 2 The Authority submitted 12 grant claims and returns for certification in 2008/09, representing expenditure of almost £382m. As in previous years most of the grant funding received was for National Non-Domestic Rates (£95 million) and Housing and Council Tax Benefits (£248 million).
- 3 The number of claims certified in 2008/09 was consistent with 2007/08.

Approach

- 4 Grant claims submitted by the Authority in 2008/09 were certified according to the Commission's certification process. Claims for expenditure:
 - under £100,000 no longer need certification;
 - between £100,000 and £500,000 do not usually need any detailed testing, instead a light touch review is carried out; and
 - claims over £500,000 are subject to a risk assessment of the control environment associated with that grant claim. Testing carried out on the grant claim is then proportionate to the risk identified.
- 5 This approach benefits Authorities with a robust control environment in place to ensure proper administration of grant expenditure. Testing can be reduced where a robust control environment is demonstrated.

Main conclusions

- 6 The Authority and the Audit Commission agreed a Grants Protocol at the beginning of 2008/09 to consider areas for improvement raised during the 2007/08 grants review. The aim was to develop a protocol setting out an approach to lessen both officer and auditor effort, while continuing to improve the accuracy and timeliness of grant returns.
- 7 The results from the 2008/09 grants review are summarised in Table 1. Further details are set out in Appendix 1.

Table 1 Summary of findings

Claim	Department	Claim received on time	Amendment	Qualification
BEN01 - Housing and Council Tax Benefits	Finance & Corporate Resources	✓	✓	✓
CFB06 - Pooling of Housing Capital Receipts	Finance & Corporate Resources	✓	✓	x
EDU23 - LSC Funding of Further Education in LA Institutions	Children & Families	x	✓	✓
EYC02 - General Sure Start	Children & Families	✓	✓	x
HOU01 - HRA Subsidy	Housing	✓	✓	x
HOU02 - HRA Subsidy Base Data Return 2009/10	Housing	✓	✓	✓
HOU21 - Disabled Facilities	Housing	✓	x	x
LA01 - National Non-Domestic Rates	Finance & Corporate Resources	✓	✓	x
PEN05 - Teachers' Pensions	Business Transformation	✓	✓	✓
RG03 - New Deal for Communities*	Finance & Corporate Resources	-	-	-
RG31 - LDA Single Programme (Childcare Affordability Programme)	Children & Families	✓	✓	x
RG31 - LDA Single Programme (Youth Offer Scheme)	Children & Families	x	✓	✓

*claim reviewed by Newman & Partners

- 8 Overall two out of eleven claims were not submitted on time. Ten out of eleven required amendment and five out of eleven also received a qualification. The details of the adjustments are outlined in Appendix 1 with the majority of amendments resulting from minor presentational or numerical errors. The results highlight there are still a number of areas for improvement. There has been little overall change in the accuracy of submission of grant claims for certification in 2008/09. This is shown by the similar number of claims needing amendment or qualification compared to 2007/08.
- 9 The main improvements have come in meeting the certification dates because of the good working relationships that exist between grant preparers and the audit team. This has seen prompt responses to auditor requests and reduced the amount of time incurred on the grants review in 2008/09.
- 10 Working papers across most grants have reached adequate standards. However, there are still some grant claims presented with little supporting documentation.
- 11 During 2008/09 the Audit Commission submitted all but two claims to grant paying bodies by the deadlines. The exceptions were the LDA Single Programme Youth Offer (RG31) and the LA Institutions (EDU23) claims which were both submitted late for review by the Authority.
- 12 The most significant issue arising from the 2008/09 grant claims review has been the failure of the Authority to record new grant claims needing certification. While the deadlines for all existing claims have been met, the Authority has had difficulty identifying when new claims have needed certification. This resulted in late submission of two claims and poor working papers to support these new claims.
- 13 The Authority is aware of the importance of identifying claims early and has been proactive in discussing with the audit team how to improve performance in this area. Early confirmation of certification requirements is needed from grant paying bodies to allow claims to be prepared well, in advance of submission deadlines. In addition within all departments grant claims should be reviewed against the CI Index listing to ensure that all grants are submitted in a timely fashion.
- 14 It is important grants work is subject to proper supervision and review by the Authority to improve the chances of identifying errors before submission to the audit team. Many amendments in 2008/09 were for minor errors, a recurring theme which greater review could help to cut out.
- 15 The Authority has in place the foundations to improve quality control in the grants submission process, having already set up a central contact who can deal with the issues of timeliness and completeness of all grant claims. This can be built on to develop an approach to ensure the Authority's claims and returns are:
 - completed accurately and in accord with the scheme terms and conditions;
 - supported by adequate working papers;
 - subject to proper supervision and review - including a final review by the grants co-ordinator; and
 - due for submission within the current year - including confirming to whom they should be submitted.

Main conclusions

16 An action plan summarising our recommendations is included at Appendix 2.

Recommendation

- R1** Support the role of the central grants co-ordinator in the Authority to ensure service units provide accurate and timely information on potential grants needing certification. This should include ensuring:
- co-ordinator is aware of what grants have been received and when the deadlines are due;
 - co-ordinator continues to have enough authority to enable them to interact with preparing officers and make clear what is needed for submission including adequate working papers; and
 - reviews are carried out by service areas before claim is submitted for certification.

Timeliness and accuracy of claims

- 17 The procedures agreed in the Grant Protocol at the beginning of the year have seen claims received before the Authority deadline date. This helps planning certification work and allows work to be undertaken in time to meet the certification deadlines.
- 18 In 2008/09 the Authority submitted two claims late for certification. One of these was noticeably late - LDA Single Programme Youth Offer (RG31). The matter of identifying the need for certification for new claims is highlighted as an issue for the Authority.
- 19 Ninety-one per cent of claims submitted for certification needed amendment or a qualification letter. This represents a similar proportion to 2007/08 and is an area identified for improvement. Most errors identified were minor and many of these could have been avoided by a more robust review procedure.
- 20 A robust review would also ensure the accuracy of the claim and clarity of the accompanying working papers.

Recommendation

- R2** Use the grants review checklist across all departments to ensure accuracy of claim and supporting documents before submission for certification.
- R3** Service areas carry out robust reviews on all claims and supporting documents before submission to limit need for Authority to resubmit or amend claims.

Housing Benefit and Council Tax Benefit Subsidy (BEN01)

- 21 Work on the Housing and Council Tax Benefits claim for 2008/09 was completed before the DWP deadline of 30 November. There has been significant improvement in meeting the certification timetable in 2008/09 because of the effective management of the claim and the working between the Authority and audit. We would like to thank all officers involved in this claim and recognise the hard work put in to achieve the deadlines.
- 22 The review identified one amendment to the claim and a qualification letter was agreed with the Authority extrapolating errors found in three of the cells tested.

Housing grant claims

- 23 The Authority has taken steps over the last year to improve its arrangements for preparation of its Housing claims, although issues still arose over the HRA Subsidy grant claims.
- 24 The Subsidy Base Data Return (HOU02) claim needed minor amendments in 19 fields within the claim. Although these were all small in value the number of adjustments could be reduced with a more robust review of the claim prior to submission.
- 25 A qualification letter was also issued for the same reason as in 2007/08, as the Authority was unable to support the classification of some properties. No recommendation will be raised on this point as the Authority has already taken actions to address this matter in time for the 2009/10 review.
- 26 The HRA Subsidy (HOU01) claim resulted in amendment, partly because of the amendments to the Subsidy Base Data Return claim. Other amendments reflected the differences between the Authority's working papers and the data in the claim, with changes made to several fields within the claim.
- 27 In 2008/09 the Disabled facilities (HOU21) claim was certified with no issues raised. This is comparable to 2007/08 and we do not see any future matters arising with this claim.

Finance & Corporate Resources claims

- 28 Performance in the certification of Finance & Corporate Resources grant claims in 2008/09 was consistent with the previous year. Working papers are of a high standard and the Authority was quick to respond to audit requests and queries resulting in claims being certifying well before the audit deadline.
- 29 Despite this minor amendments were needed to both National Non Domestic Rates (LA01) and Pooling of Housing Capital Receipts (CFB06). The errors identified were very minor and some could have avoided with closer scrutiny of the claim before submission. As a result there are still areas for improvement:

Main conclusions

- National Non-Domestic Rates (LA01)
 - overall good working papers are provided for this claim with numerical entries to the claim well supported. This year an amendment was made to a date disclosure on the claim form. Certification is given on all information on the claim and it is important to ensure that all information, not just numerical entries, is fully supported by the Authority's records.
 - Pooling of Housing Capital Receipts (CFB06)
 - minor amendments were made to administration costs and net interest on late payments. The amendments were the results of errors in calculations and indicate the importance of checking all calculations in accordance with the guidance from the grant paying body.
- 30 A third claim New Deal for Communities (RG03) which needed certification was reviewed by Newman & Partners. This arrangement is consistent with previous years and the results of their review are not included in this report.

Recommendation

- R4** Complete returns using the most up-to-date guidance, especially where manual calculations are needed.

Business Transformation claim

- 31 The Teacher's Pensions (PEN05) claim needed a number of amendments and a qualification letter was issued as a result of our review. The outcome of the review was consistent with 2007/08 where both amendments and a qualification letter had to be issued. We would suggest that a more robust review prior to submission could reduce errors arising as a result of entries on the claim not agreeing to payroll reports provided as supporting documentation.
- 32 In our qualification letter we reported that one person recorded in the teachers' pension scheme was a member of the local government pension scheme and therefore teachers' pension contributions should not have been deducted. We were unable to confirm that all the 287 teachers included on the same payroll service were members of the teachers' pension scheme.

Children & Families claims

- 33 Of the four claims submitted by the Children & Families department, there were two new grants needing certification in 2008/09 which were not initially recognised and submitted for certification by the appointed deadlines by the Authority. Performance varied widely across each of the four submissions.
- 34 The General Sure Start (EYC02) and LDA Single Programme (RG31) (Childcare Affordability Programme) were both received by the Authority deadline early in the year. Work on both claims was completed early and only minor amendments were needed to each claim.

- 35** A second scheme under the LDA Single Programme (RG31) was identified during the year for the Youth Offer Scheme. This scheme was not identified until after both the Authority and certification deadline had passed, with the final claim certified three months after the Audit deadline. Matters resulting in amendments to the claim were:
- the Authority had misclassified revenue items as capital - as the revenue spend limit had been met this led to the Authority claiming funding which it was not entitled to claim;
 - expenditure incurred in 2009/10 had been recorded in the 2008/09 claim;
 - one double payment was identified; and
 - there was not enough evidence to support all third-party payments - records of expenditure could have been more formally maintained to allow a clear audit trail to be followed.
- 36** Of more concern were the issues raised for qualification:
- not all third party funding was supported by formal contracts or funding award letters;
 - contracts that were in place had not been signed by the Authority; and
 - there was inadequate documentation to support all entries on the return.
- 37** Following the findings of the review the Authority have already taken steps to ensure adequate documentation is maintained to support expenditure in the future. Where capital expenditure is incurred this should be based on formal agreement with third parties and reviewed to ensure capital expenditure is in line with the LDA definition of capital items.
- 38** The final claim received was the LSC funding of further education in LA institutions (EDU23) claim. This claim had not been previously certified within the Authority and there was a delay in identifying which service unit had received this funding. Due to concerns over the accuracy of the data recorded in the claim estimate the final claim was not received until after the Authority and certification deadline.
- 39** The final claim has now been certified with only minor amendments to the claim. We also issued a qualification letter for the following matters:
- the claim was submitted after the 23 November certification deadline resulted in automatic qualification;
 - insufficient records were not available to fully support all learners included on claim; and
 - learner disadvantage uplift had not been correctly applied to one learner tested.

Main conclusions

Recommendations

- R5** Identify all schemes for which the Authority may be eligible. Where a grant needing audit has been claimed the responsible officer should be aware of all requirements and inform the grants co-ordinator so that deadlines are not missed.
- R6** Periodically review grant arrangements and monitoring to ensure supporting documentation is adequately maintained and grant terms and conditions are being met. This should focus on:
- new claims where grant preparers may be inexperienced, or grant terms and conditions unfamiliar; and
 - claims involving third parties where assurance over external expenditure or arrangements is needed.

Grant fees

- 40** The estimated grant fee for 2008/09 stands at £100,000 as a result of the work due to date. This is a significant reduction when compared with the 2007/08 fee of £149,000. The reduction is due to improvements made to the process of compiling claims and responding to issues by the Authority.

The way forward

- 41 While we recognise the Authority has made significant progress on meeting submission deadlines on claims, there have been two cases where the Authority submission deadline has been missed. In both cases this was the first year those claims had needed certification.
- 42 It is important to ensure that the Authority is able to identify new claims requiring certification at an early point. This will not only help to meet the relevant deadlines, but will allow the Authority to ensure resources are in place to prepare the claims to the required standards. In order to achieve this, there are a number of areas where officers can continue to improve current systems:
 - identify all grants received within individual service units and provide list of grants to Service Head. Where it is known the requirement for certification by the external auditor should be stated;
 - maintaining co-ordination between grants co-ordinator and Service Heads to cross check service unit grants against CI Index listing of potential grants the Authority may have received funding for; and
 - extra focus should be spent on new claims where arrangements are uncertain/unknown.
- 43 The role of grants co-ordinator is well embedded within the Authority and there should continue to be close co-operation and co-ordination between the grants co-ordinator and audit team to ensure grants work continues to progress.
- 44 The Authority should consider the recommendations in the action plan set out in Appendix 2 and take action where improvements can be achieved.

Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

Table 2 Issues raised on grant claims in 2008/09

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
BEN01	Housing and Council Tax Benefits	31 May 2009	29 May 2009	0	Amendment and qualification	Amendment and qualification	Errors related to start/end dates of benefit types. No repeat of 2007/08 errors.
CFB06	Pooling of Housing Capital Receipts	30 June 2009	24 June 2009	0	Amendment	Amendment	<ol style="list-style-type: none"> 1. Minor amendment due to miscalculation of net interest on late payments to bring in line with guidance. 2. Minor amendment to administrative costs to reflect actual expenditure.
EDU23	LSC funding of further education in LA institutions	31 October 2009	25 November 2009	25	N/A	Amendment and qualification	<ol style="list-style-type: none"> 1. Minor amendments due to agreeing back to supporting documentation in form of DSAT report. 2. Qualified due to late submission, insufficient supporting documentation and incorrect application of learner disadvantage uplift.

Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
EYC02	General Sure Start	30 May 2009	1 June 2009 (deadline was a Saturday not recorded as late)	0	Amendment and qualification	Amendment	<ol style="list-style-type: none"> 1. Minor amendment resulting from variance in agreement to Oracle ledger. 2. Amendment for prepayment incorrectly included in funding claimed.
HOU01	HRA Subsidy	30 September 2009	1 September 2009	0	Amendment	Amendment	<p>Numerous amendments made including:</p> <ol style="list-style-type: none"> 1. Minor amendments resulting from agreement to certified HOU02 08/09 claim and HOU01 07/08 claim. 2. Amendments due to variance in agreement to supporting documentation. Including amendments of approx £43m to 2 fields.
HOU02	HRA Subsidy Base Data Return 2009/10	28 August 2009	28 August 2009	0	Amendment and qualification	Amendment and qualification	<ol style="list-style-type: none"> 1. Minor amendments across 19 separate fields. 2. Qualified due to lack of support for the classification of properties within a number of fields. Qualified in 2007/08 for same issue.
HOU21	Disabled Facilities	31 June 2009	25 June 2009	0	None	None	Not applicable.
LA01	National Non-Domestic Rates	26 June 2009	16 June 2009	0	None	Amendment	Amendment to date of latest information used to compile the claim.

Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
PEN05	Teachers' Pensions	30 June 2009	30 June 2009	0	Amendment and qualification	Amendment and qualification	<ol style="list-style-type: none"> 1. Amendments were made where entries per the claim did not agree to supporting payroll reports. 2. Qualified due to deductions being incorrectly made for a member of the local government pension scheme. Unable to provide assurance that all other teachers within same external payroll provider organisation were eligible for inclusion in teachers' pensions scheme.
RG03	New Deal for Communities	30 September 2009	N/A	N/A	N/A	N/A	Not applicable. Certification completed by Newman & Partners.
RG31	LDA Single Programme (Childcare Affordability Programme)	30 April 2009	29 April 2009	0	Amendment	Amendment	<ol style="list-style-type: none"> 1. Minor amendment to grant received per claim to agree to ledger. 2. Minor amendment to accrual entry on claim as per GLE notification. 3. Amended to include grant agreement date on claim as per guidance.

Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
RG31	LDA Single Programme (Youth Offer Scheme)	30 April 2009	12 August 2009	104	N/A	Amendment and qualification	<ol style="list-style-type: none"> 1. Claim was submitted over 3 months after deadline. 2. Authority did not identify that claim needed certification. 3. Qualified due to insufficient supporting documents. 4. Qualified due to controls over contract arrangements and monitoring. 5. Amendments made for: <ul style="list-style-type: none"> - revenue expenditure misclassified as capital items; - 2009/10 expenditure being included in 2008/09 claim; - duplicate payment.

Source: LB Brent and Audit Commission, 2008/09

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Support the role of the central grants co-ordinator in the Authority to ensure service units provide accurate and timely information on potential grants needing certification. This should include ensuring: <ul style="list-style-type: none"> co-ordinator is aware of what grants have been received and when the deadlines are due; co-ordinator continues to have sufficient authority to enable them to interact with preparing officers and make clear what is needed for submission including adequate working papers; and proper reviews are carried out before claim is submitted for certification. 	3	All officers responsible for submitting grant claims	Agreed	We will continue to aim to ensure best practice with all grant claims.	2009/10 grant claims
7	R2 Use the grants review checklist across all departments to ensure accuracy of claim and supporting documents before submission to the auditor.	2	All	Agreed	We will try and ensure this is done in all cases although there are issues with claims submitted electronically.	2009/10 grant claims
7	R3 Departments carry out robust reviews on all claims and supporting documents before submission to limit need for Authority to re-submit or amend claims.	3	All service areas	Agreed	This will be emphasised to all Service Areas responsible for submitting claims.	2009/10 grant claims

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R4 Complete returns using the most up-to-date guidance, especially where manual calculations are required.	2	All	Agreed	This will be emphasised in guidance notes.	2009/10 grant claims
10	R5 Identify all schemes for which the Authority may be eligible. Where a grant requiring certification has been claimed the responsible officer should be aware of all requirements and inform the grants co-ordinator so that deadlines are not missed.	3	All service areas and F&CR	Agreed	This will be subject to ongoing review. We will continue to liaise with the Audit Commission on this issue.	April 2010
11	R6 Periodically review grant arrangements and monitoring to ensure supporting documentation is adequately maintained and grant terms and conditions are being met. This should focus on: <ul style="list-style-type: none"> new claims where grant preparers may be inexperienced, or grant terms and conditions unfamiliar; and claims involving third parties where assurance over external expenditure or arrangements is needed. 	3	All service areas	Agreed	In 2010 we will focus on claims that are higher risk because the claims or officers involved are new or because the claim's complexity. We will provide extra support to these claims.	March 2010

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