



Grant Thornton

London Borough of Haringey

Grants Report 2007-08

23 January 2009

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# 1 Executive summary

## 1.1 Approach and context to certification

Grant Thornton UK LLP ("we") act as agents for the Audit Commission to review and provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. This means that the arrangements for certification are prescribed by the Audit Commission, who agree the scope of the work with each relevant government department or agency. The roles and responsibilities for each party involved are clearly defined.

Section 2 of this report sets out an overview of the approach to certification work on grant claims and returns, the roles and responsibilities of the various parties involved and the scope of the work we perform.

## 1.2 Summary findings

Overall the Council has improved their performance against key targets, with only 5 of the 17 claims and returns being qualified<sup>1</sup> and 5 claims and returns amended (29%). In 2006/07 there were 6 amendments (33%) and 7 qualifications (39%) to the 18 claims and returns. To further improve these arrangements we have included recommendations in an action plan in Appendix A.

All councils should work to submit all claims for certification to their auditors by the relevant deadline set by the relevant government department. They should aim achieve no amendments or qualifications to those claims submitted. As auditors, we seek to certify all claims within the government departments' deadlines, or three month from receipt if later.

The Council has improved its performance with regard to these targets, with key points of note being:

- 88% of grants claims that required certification were submitted on time. This was an improvement on the prior year when performance against this target was at 83%.
- The grants co-ordinator liaised with the audit executive and grant compliers to ensure that all audit work on claims and returns were completed by the certification date.
- All claims were certified by the required deadline, with only one claim requiring a deadline extension (the HOU02 Base Data Return). This 100% performance is an improvement on the prior year when only 67% of claims were certified on time.
- The percentage of claims certified without amendment or qualification has improved from 56% in 2006/07 to 59% in 2007/08.
- The percentage of claims qualified has improved, reducing from 39% in 2006/07 to 29% in 2007/08.

<sup>1</sup> The qualification of a grant claim or return has a much lower threshold than for a set of accounts. Effectively we are required to qualify for any non-compliance with Audit Commission / Departmental requirements even where they are not significant to the claim as a whole.

- The quality of working papers provided to auditors was strong, with the files being clearly referenced and easy to follow.

Section 3 of this report sets out further details on the Council's, and our, performance against these targets. Appendix 2 also includes a detailed analysis by claim.

The fee for certification work set out in our Audit and Inspection Plan and detailed grants plan was £100,000. The actual fee we charged for this work was £107,248. Performance against the budget and prior year is set out in Section 3. Further details of variances against budget and the prior year fee are shown in Appendix C.

### **1.3 Use of this report**

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and should not be used for any other purpose. No responsibility is assumed by us to any other person.

This report includes only those matters that have come to our attention as a result of performance of the certification. Our work is not designed to identify all matters that may be relevant to those charged with governance. Accordingly our grant certificate work does not ordinarily identify all such matters.

### **1.4 The way forward**

Amendments and qualifications made to claims and returns can lead to repayment of funds to grant paying bodies, and perhaps reduced entitlement to grant funding in future years. Therefore, we would recommend that the Council takes steps to reduce the number of amended claims in future years.

In addition, taking action to address the recommendations made in the action plan in Appendix A will further improve the certification process, which will reduce the amount of work required. This will have the positive outcome of reducing certification fees in future years.

### **1.5 Acknowledgements**

We would like to take this opportunity to thank the grants co-ordinator and other council's officers for their assistance and co-operation during the course of the certification process.

## 2 Approach and context to certification

### 2.1 Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission to review and provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission prescribes our work in this area. Each year, it agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instructions (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return, and secondly a series of detailed tests.

In summary the arrangements outlined in the Audit Commission's approach to grant certification are:

- for amounts claimed below £100,000 - no certification required;
- for amounts claimed above £100,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council; and
- for amounts claimed over £500,000 - certifying that the claim agrees to underlying records of the Council, and assessment of the control environment. Where reliance is not placed on the control environment, detailed testing is performed.

### 2.2 Roles and responsibilities

The following table briefly details the roles and responsibilities of the parties involved in the certification of claims and returns.

<b>Party</b>	<b>Role and responsibility</b>
Grant paying body	Sets conditions of grant, and deadlines for submission of pre-certificate and certified claims.
Audit Commission	Issue Certification Instructions.
Council	Submit claims for certification to the Appointed Auditors within grant paying body submission deadlines. Ensure documentation is maintained to support compilation of the claim.
Appointed Auditor	Certify claims submitted in accordance with Audit Commission Instructions and within certification deadlines.

### **2.3 Scope**

The scope of this work is our assessment of the Council's arrangements for the submission of grant claims for certification purposes. It does not cover the overall arrangements put in place by the Council to:

- Ensure that it makes a claim for every area of eligible expenditure;
- Maximise the grant income received;
- Commit resources to manage the grant income cash-flow in an effective manner; or
- To performance manage both internal staff and third parties charged with these responsibilities.

### 3 Summary findings

#### 3.1 Grant co-ordination

The Council has a grants co-ordinator, based in the Corporate Finance department. They are our key point of contact when making arrangements to undertake our certification work. We are pleased to report that the Council has good procedures in place to identify grant claims and returns that require certification. To further improve these arrangements, we have included recommendations in an action plan in Appendix A. [The Council's officers have included intended actions to address these recommendations, and we will review progress against these as part of our grants certification work in late 2009.]

The grants co-ordinator has kept us informed in advance of, and throughout, the certification process, particularly with regard to submission deadlines. We will continue to liaise with him in 2008-09 to ensure that all claims are received by the relevant deadlines, and in monitoring the implementation of recommendations and areas for improvement.

#### 3.2 Performance against targets

The following table summarises the Council's performance against submission and accuracy targets, and our performance against certification deadlines.

Performance target	Target	Achievement in 2007-08		Achievement in 2006-07	
		No	%	No	%
Total number of claims	n/a	17	n/a	18	n/a
Claims submitted by Council deadline	100%	15	88%	15	83%
Claims certified by auditor deadline (or within 3 months of receipt if later)	100%	17	100%	12	67%
Claims certified without amendment or certification	100%	10	59%	10	56%
Claims amended	0%	5	29%	6	33%
Claims qualified	0%	5	29%	7	39%
Claims amended and qualified	0%	3	18%	5	28%

This analysis of performance against targets shows that:

- As the Council's auditors, we are required to certify all claims and returns within 12 weeks of receipt of both the claim and a full set of working papers. It should be noted

that it is the Council's responsibility to ensure that all statutory deadlines are met. This year, we certified all claims and returns within the certification deadline.

- There has been a reduction in the number of claims being amended by number (5 in 2007/08 compared to 6 in 2006/07) and as a percentage (fallen from 33% to 29%). Two of the amendments did not affect the amount claimed (PEN05 Teachers' Pensions and RG31 LDA - Stoneleigh). Furthermore, the claims and returns that require auditor certification in 2007/08 are more complicated than those that no longer require auditor certification. There is a greater risk of error in compiling the more complicated claims and returns, which implies that the Council's performance this year has improved more than the figures themselves may indicate. An analysis of the claims and returns that were amended is given in Appendix B.
- We qualified five claims this year compared with the seven that were qualified in the previous year. We are required to qualify whenever we feel that, based on the certification work which we have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that we are not satisfied that the claim or return is actually correct. Government departments are entitled to withhold or withdraw payment to the Council of any monies that they feel, based on our qualification letters, are not adequately supported.
- The five claims which were qualified were as follows:
  - the Housing and Council Tax Benefit Scheme, qualified for a number of reasons including misclassification of tenure types on Non HRA rent rebates (also a reason for qualification in 2006/07), incorrect periods of backdated benefit for HRA rent rebates and Council Tax Benefit, and incorrect entitlement calculations for Council Tax Benefit;
  - the General Sure Start grant, qualified due to one of the assets funded by the grant not being included on the asset register. In 2006/07 the Audit Commission recommended that the council maintain a separate asset register for those assets which were to appear in the Surestart claim, however this recommendation has not yet been implemented;
  - the Housing Revenue Account Subsidy claim, qualified due to the Authority including their schools PFI liability of £73.175m within the Capital Financing Requirement ("CFR") which was not permitted in the calculation of the CFR in the Housing Subsidy claim;
  - the National Non-Domestic Rate claim, qualified due to a mandatory relief rather than discretionary relief being given to a club in error. As the club is not a charity mandatory relief should not have been granted; and
  - the Teachers' Pensions return, qualified due to two issues around schools with external payroll providers: the Council had not put arrangements in place to confirm that non-pensionable salary items had been excluded from the contributory salary figure, and the Council does not hold records of the supply and part time status of teachers in all those schools.

Further details on each claim and return are set out in Appendix B. This provides more explanation of each claim, as well as possible areas for improvement.

### 3.3 Fee analysis

The estimated fee for grant certification work was set out in our Audit and Inspection Plan for 2007-08 approved by the Audit Committee in March 2007, and in our Grants Plan agreed with officers in August 2008.



The fee charged for certification work in 2007-08, compared to the fee in 2006-07 and the budgeted fee, is set out below. Further analysis by claim, including variances, are included in Appendix C.

<b>Claim</b>	<b>Fee in 2007-08</b>	<b>Fee in 2006-07</b>	<b>Budgeted fee</b>
<b>Total</b>	<b>£ 107,248</b>	<b>£151,506</b>	<b>£100,000</b>

The fee analysis reflects that:

- There was a change in the certification approach to housing benefit which was introduced in 2007-08. The Audit Commission has produced a series of workbooks to make the certification and data recording for this claim consistent for all councils in England. In addition, there were fewer qualification issues in 2007/08 and the Council did not undertake any additional testing which would have required auditor re-performance. As a result fees for this work are also more consistent, with the fee at this Council decreasing by £26,089 compared to 2006-07.
- There have also been decreases in fees across other grant claims and returns in general due to improved arrangements.
- The Mental Health, Children's Fund and Adult Safeguarded Learning Grants were not required to be certified by the auditor in 2007-08.
- One new claim has been certified in 2007/08, namely the EUR01 claim for the Bernie Grant Centre.
- The fee for 2007/08 does not include the completion of the work on the 2006/07 EUR01 Urban Centres for City Growth claim. This work was commenced by the Audit Commission at a charge of £1,400, and completed by ourselves at a charge of £3,448.

## A Action plan

No.	Claim	Recommendation	Priority	Management response	Responsibility & implementation date
1	BEN01 / EYC02	<p>The deadline for submission of the Housing and Council Tax Benefits claim was missed by 53 days. It is understood that this was due to software issues, and that the Department for Work and Pensions (DWP) would not grant an extension for this reason. The deadline for submission of the EYC02 claim was missed by 67 days, having already received an extension from the Department for Children, Schools and Families (DCSF) to 6 June. In future years the Council should meet the submission deadline for all claims.</p>	1	<p>Agreed – The Council will continue to aim to meet the relevant submission deadlines.</p>	<p>BEN01 - Dave Palmer, Head of Finance (Projects). Implementation date: 30/06/2009. EYC02 – Neville Murton, Head of Finance – Children and Young People's Service Implementation date: 31/05/2009.</p>

No.	Claim	Recommendation	Priority	Management response	Responsibility & implementation date
2	BEN01	<p>The Housing and Council Tax Benefit Scheme was qualified for a number of reasons, including misclassification of tenure types on Non IFA rent rebates (also a reason for qualification in 2006/07), incorrect periods of backdated benefit for IFA rent rebates and Council Tax Benefit, and incorrect entitlement calculations for Council Tax Benefit. It is recommended that the issues revealed by the certification work be discussed within the Benefits and Local Taxation team, and extra training be provided to officers to avoid the same issues arising in the future.</p>	2	<p>Agreed. In addition, we will attempt to review all tenure types &amp; backdated awards prior to the compilation of the final claim for 2008-09</p>	<p>Tim Fisher, Deputy Head of Revenues &amp; Benefits. Implementation date: the 2008-09 Final claim due to be submitted by 30<sup>th</sup> June 2009.</p>
3	CFB06	<p>The administration costs attributed to the Pooling of Housing Capital Receipts claim needs to be based on the exact number of properties sold in the year. The figure used by the Council was incorrect, resulting in increased payments of £4,659. The Council should include as part of their working papers a consistency check on the number of properties being reported as sold throughout the claim.</p>	2	<p>Agreed.</p>	<p>Ajit Sohi, Head of Finance Capital and Financial Planning Implementation date: Pooling of Housing Capital Receipts claim 2008/09</p>

No.	Claim	Recommendation	Priority	Management response	Responsibility & implementation date
4	EYC02	The General Sure Start grant was qualified due to one of the assets funded by the grant not being included on the asset register. In 2008/09 the Council introduce a separate asset register for Surestart assets.	3	Agreed. An appropriate extract from the Council Asset Register cross referenced to the Sure Start assets will be included in the General Sure Start grant file for 08/09.	EYC02 – Neville Murton, Head of Finance – Children and Young People's Service Implementation date: 31/05/2009.
5	HOU01	The Housing Revenue Account Subsidy claim was qualified due to the Authority including their schools PFI liability of £73.175m within the Capital Financing Requirement ("CFR"), which is not permitted in the calculation of the housing subsidy. The Council should ensure that the PFI liability is excluded from the CFR calculation.	2	Agreed	Dave Palmer, Head of Finance (Projects). Implementation date: with immediate effect.
6	FIOU01	Two of the amendments to the cells certified during the audit were due to the instructions within the HRA Subsidy Determination (F001rc) and the Item 8 Determination (F007a) not having been followed in their entirety. The Council should follow the guidance in full from 2008/09 onwards.	2	Agreed	Peter Willett, Deputy Director of Finance HfH and Dave Palmer, Head of Finance (Projects). Implementation date: the 2008-09 Final claim.

No.	Claim	Recommendation	Priority	Management response	Responsibility & implementation date
7	HOU02	The Council should undertake a site inspection of UPRN 194423 - 165 Stonebridge Road to understand whether or not this property should be classified as a Traditional or Non-Traditional property.	3	Agreed	Peter Willett, Deputy Director of Finance HfH. Implementation date: the 2010-11 Base Data Return.
8	LA01	The National Non-Domestic Rate claim was qualified due to a mandatory relief rather than discretionary relief being given to a club in error. As the club is not a charity mandatory relief should not have been granted. It is recommended that the Council instigate further checks to ensure that no clubs are granted mandatory relief in the future.	3	Whilst we accept that in this instance an error was made, a subsequent random sample check by the Service of a further 50 cases, indicated that this was an isolated error. Moreover we are satisfied that similar errors are unlikely to occur under our current procedures, as checks are made against the Charity Commission Website to establish the entitlement to relief for the organisation in question.	Jacqui McIntosh – BLT Finance Manager. Implementation date: 2008/09 NNDR3 return

No.	Claim	Recommendation	Priority	Management response	Responsibility & implementation date
9	LA01	<p>After certification the Council subsequently realised that data they provided for one of the cells was already at 80% of its value, so when the cell automatically applied its 80% calculation it led to an incorrect figure being included within the claim. The Council should complete a data check to ensure that where a percentage is applied to a cell, this does not happen prior to the figures being submitted for inclusion within the claim.</p>	2	<p>We accept that an error was made in the calculation this year, which was unfortunately not picked up as part of the standard checks undertaken within the Service on the Return, prior to submission. This mistake has not been made in previous years and only came about following a slight change in the format for recording the data relevant to the claim. Data checks are already carried out as a matter of standard and we are satisfied that an error of this nature will not occur again in the future.</p>	<p>Jacqui McIntosh – BLI Finance Manager. Implementation date: 2008/09 NNDR3 return</p>

No.	Claim	Recommendation	Priority	Management response	Responsibility & implementation date
10	PEN05	The Council should put in place arrangements in place to confirm that non-pensionable salary items have been excluded from the contributory salary figure.	3	Agreed. The governing body of each school with external payroll will from 2008/09 annually provide the Authority with a satisfactory audit report covering the payroll and pension contributions system. The auditor must be either an appropriately qualified external practitioner or the Council's Internal Auditor. The annual audit report required must give assurances that adequate controls are in place for the correct calculation and deduction of contributions, in accordance with the Teachers' Pension Regulations	Neville Morton, Head of Finance -- Children and Young People's Service -- working with the Governing Body of each school with external providers. Arrangement for certification must be in place by 31/1/2009.

No.	Claim	Recommendation	Priority	Management response	Responsibility & implementation date
11	PEN05	The Council should explore the option of Internal Audit doing some CI testing at schools that have external payroll providers on an annual basis.	3	Agreed. The response is as per recommendation 10.	Neville Murton, Head of Finance – Children and Young People's Service – working with the Governing Body of each school with external providers. Arrangement for certification must be in place by 31/1/2009.
12	PEN05	The Council should liaise with its external auditors over the date of the certification of the PEN05 Claim in order to allow as much time as possible for resolution of any audit queries within the certification deadlines.	2	Agreed. The Council have requested the date of this certification is brought forward to the end of June 2009.	Neville Murton, Head of Finance – Children and Young People's Service Implementation Date: submission of Teachers Pensions grant claim 2008/09.
13	RG31	An amendment was required to the Stoneleigh Road claim due expenditure being incorrectly disclosed as Revenue instead of Capital. This was a basic error which has had an impact on the Council's performance against their targets for grants. A check be introduced to ensure that Revenue and Capital expenditure are correctly classified.	3	Agreed. All LDA claims will be checked to ensure revenue and capital expenditure is correctly allocated on the forms.	John Holden – Senior Financial Accountant Implementation Date: Immediate going forward and upon receipt of LDA claim forms.



## B Details of claims and returns certified in 2007-08

Claim ref.	Claim title	Value of claim (£)	Amended ?	Value of amendment (£)	Qualified?	Improvement area
BEN01	Housing and Council Tax Benefit Scheme	£251,481,981	Yes	(£683)	Yes	See Appendix A for action plan
CFB06	Pooling of Housing Capital Receipts	£9,455,544	Yes	(£4,659)	No	See Appendix A for action plan
EUR01	ERDF - Bernie Grant Centre	£3,592,700	No	-	No	None
EUR01	ERDF - Urban Centres for City Growth	£1,711,227	No	-	No	None
EUR01	ERDF - UCCG 2006/07	£1,096,049	No	-	No	None
EYC02	General Sure Start Grant	£11,963,258	No	-	Yes	See Appendix A for action plan
HOU01	HRA Subsidy	£20,195,373	Yes	£161,650	Yes	See Appendix A for action plan
HOU02	HRA Subsidy Base Data Return	16,351.25 dwellings	No	-	No	See Appendix A for action plan
HOU21	Disabled Facilities Grant	£553,000	No	-	No	None
LA01	National Non Domestic Rates Return	£49,639,493	No	-	Yes	See Appendix A for action plan
PEN05	Teachers' Pensions Return	£15,535,637	Yes	£5 amendment to cell but does not affect amount claimed	Yes	See Appendix A for action plan

Claim ref.	Claim title	Value of claim (£)	Amended ?	Value of amendment (£)	Qualified?	Improvement area
RG03	New Deal for Communities	£6,427,324	No	-	No	None
RG31	Single Programme LDA - Stoneleigh	£81,512	Yes	£95,217 amendment to cell but does not affect amount claimed	No	See Appendix A for action plan
RG31	Single Programme LDA - Rangemoor	£164,928	No	-	No	None
RG31	Single Programme LDA - Lee Valley Festival	£75,000	No	-	No	None
RG31	Single Programme LDA - NLSA	£75,000	No	-	No	None
RG31	Single Programme LDA - Sub Regional Engagement programme	£225,500	No	-	No	None

## C Fee analysis

Claim ref.	Claim title	Month billed	Fee billed for 2007-08 (£)	Fee billed for 2006-07* (£)	Variance (£) ††	Budgeted fee per audit plan (£)	Variance (£) ††
BEN01	Housing and Council Tax Benefit Scheme	Nov '08	£41,665	£67,754	(£26,089)	£32,610	£9,055
CFB06	Pooling of Housing Capital Receipts	Sept '08	£4,678	£4,783	(£105)	£5,435	(£757)
EUR01	ERDF - Bernie Grant Centre	Oct '08	£2,043	N/A	£2,043	£2,718	(£675)
EUR01	ERDF - Urban Centres for City Growth	Nov '08	£3,833	£4,848 (See below)	(£1015)	£2,718	£1,115
EUR01	ERDF - UCCG 2006/07 †	May '08	£3,448	£1,400 (billed by AC in 06/07)	N/A	N/A - not part of 07/08 plan	N/A - not part of 07/08 plan
EYC02	General Sure Start Grant	Oct '08	£5,263	£8,932	(£3,669)	£5,435	(£172)
HOU01	HRA Subsidy	Dec '08	£6,685	£9,226	(£2,541)	£5,435	£1,250
HOU02	HRA Subsidy Base Data Return	Oct '08	£8,238	£6,492	£1,746	£10,870	(£2,632)
HOU21	Disabled Facilities Grant	Oct '08	£5,528	£663	£4,865	£5,435	£93

Claim ref.	Claim title	Month billed	Fee billed for 2007-08 (£)	Fee billed for 2006-07* (£)	Variance (£) ††	Budgeted fee per audit plan (£)	Variance (£) ††
LA01	National Non Domestic Rates Return	Sept '08	£10,305	£6,528	£3,777	£10,870	(£565)
PEN05	Teachers' Pensions Return	Sept '08	£6,940	£5,921	£1,019	£7,609	(£669)
RG03	New Deal for Communities	Nov '08	£4,233	£8,428	(£4,195)	£5,435	(£1,202)
RG31	Single Programme LDA - Stoneleigh	July '08	£879	£1,353	(£474)	£1,086	(£207)
RG31	Single Programme LDA - Rangemoor	July '08	£879	£1,353	(£474)	£1,086	(£207)
RG31	Single Programme LDA - Lee Valley Festival	July '08	£879	£1,353	(£474)	£1,086	(£207)
RG31	Single Programme LDA - NLSA	July '08	£879	£1,353	(£474)	£1,086	(£207)

Claim ref.	Claim title	Month billed	Fee billed for 2007-08 (£)	Fee billed for 2006-07* (£)	Variance (£) †	Budgeted fee per audit plan (£)	Variance (£) ††
RG31	Single Programme LDA - Sub Regional Engagement programme	July '08	£879	£1,353	(£474)	£1,086	(£207)
-	Management and administration / planning and reporting	N/A - absorbed within costs above	-	£17,044	(£12,884)	-	£4,160
<b>TOTAL</b>			<b>£107,248</b>	<b>£148,784 **</b>	<b>(£41,536)</b>	<b>£100,000</b>	<b>£7,248</b>

**Notes**

\* Fee billed in 2006-07 was billed by the Council's previous auditor, the Audit Commission.

\*\* The total fee for grants in 2006-07 was £151,506. The difference is due to the Children's Fund grant (£1,638), Mental Health Grant (£2,755) and Adult Safeguarded Learning (£3,177) not being included on the prior year fee analysis as the requirement for auditors certification ceased in 2006-07.

† The total fee for the EUR01 2006/07 claim was £4,848 made up of £1,400 charged by the Audit Commission in 2006/07 and £3,448 by ourselves in 2007/08.

†† A negative variance shows that the fee was either lower than the prior year, the budget or both. A positive variance shows that the fee was higher than the prior year, the budget or both.



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