



London Borough of Haringey

Grant Claims And Returns Planning Memorandum 2009-10

23 August 2010

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Appendices

- A Summary of all claims and returns for the year ended 31 March 2010**

1 Background

In addition to our audit of the Council's financial statements and value for money arrangements, we are required to certify grant claims and returns above predetermined thresholds.

In carrying out work in relation to grant claims and returns, Grant Thornton UK LLP acts as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussion with the grant paying body. Although the auditor is required to cover all relevant Audit Commission tests the overall amount of work required on each claim will vary due to:

- the impact of approach and thresholds for certifying claims and return (see the next section for details)
- the size and complexity of the claim and the relevance of each test to transactions at the Council
- the history of the claim at the Council and whether there have previously been any significant issues or concerns
- the quality of working papers produced by the Council to support entries on the claim
- the extent to which Internal Audit has been used to verify entries in the claim and the we are able to rely on the work undertaken.

As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commission's 'Work programme and scales of fees 2009-10 and indicative fee proposals for 2010-11 and 2011-12' for local government, housing and community safety.

We are required by the Audit Commission to charge their 2009-10 fee scale rates on all Code audit and non-Code work relating to the financial year 2009-10. The rates we will be working to are given in the table below.

Grade of staff	Rate per hour (£)
Appointed Auditor	380
Manager	210
Senior Auditor	135
Other Staff	105

2 Claims history

The most significant claims in 2008-09 were:

- housing and council tax benefit
- national non-domestic rates.

There are an estimated 12 claims and returns to be submitted for 2009-10.

In our 2008-09 grants report, the key points we reported to the Audit Committee were:

- The Council improved on its performance against key targets, with only one of the 14 claims and returns being qualified, against 5 qualifications in 2007/08.
- The number of amended claims was consistent with the prior year at 5 (although in percentage terms this was a deterioration in performance - 36% from 29%).
- All grant claims and returns were submitted for certification on time, which was an improvement on the prior year when 88% were submitted on time.

The table below summarises performance against best practice targets.

Performance Target	Best Practice Target	Performance in 2006-07	Performance in 2007-08	Performance in 2008-09
Claims submitted on time	100%	83%	88%	100%
Claims amended	0%	33%	29%	36%
Claims qualified	0%	39%	29%	7%
Certified within Audit Commission deadline or 3 months from receipt	100%	67%	100%	100%

3 Approach to certifying grant claims and returns

The approach to certifying grant claims and returns is set out below.

- For claims and returns below a minimum level set by the Audit Commission (currently £125,000), the Audit Commission will not make certification arrangements, regardless of any statutory certification requirements or any certification requirement set out in the grant terms and conditions.
- As a condition of our appointment as an Audit Commission Auditor we are prohibited from certifying claims and returns below the minimum level.
- For claims and returns between the minimum level and a threshold set by the Commission (currently £500,000), we are required to undertake limited tests to agree form entries to underlying records, but will not undertake any testing of the eligibility of expenditure or data.
- For claims and returns over this threshold, we will assess the control environment over the preparation of the claim or return and make a decision as to whether or not to place reliance on this environment.
- Where reliance is placed on the control environment, we will undertake limited tests to agree entries on the claim or return to the underlying records, but will not undertake any testing of the eligibility of expenditure for data. Where reliance is not placed on the control environment, we will undertake all tests in the certification instruction.

We will assess the degree of work to be undertaken on each claim and return due for certification in 2009-10 in accordance with this approach.

It should be noted that these arrangements, along with the overall number of claim and returns requiring certification, have continued to reduce in the number of claims and returns for which grant paying bodies require external auditor certification, as part of reducing the burden on local authorities.

4 Developing the managed audit

This plan assumes that we place no direct reliance on the work of Internal Audit in relation to the certification of individual grant claims and returns. As part of the managed audit approach we are keen to develop the extent to which we are able to place reliance on work carried out by Internal Audit on specific elements of systems and controls in relation to a number of claims for 2009-10 and beyond, in particular:

- housing subsidy; and
- national non-domestic rates (NNDR).

To enable us to place reliance on Internal Audit work we will need to agree the scope and timing of the work to be performed by Internal Audit on systems and controls in accordance with the requirements of individual certification instructions produced by the Audit Commission. We are willing to share the certification instructions with the Council when they are published.

Where we identify Internal Audit work on which we may be able to place reliance, we re-perform elements of Internal Audit's testing to confirm the accuracy of the results. This can reduce the amount of testing we are required to undertake with a corresponding reduction in the fees charged for the grant certification work.

We have discussed the possibility of relying upon the work of Internal Audit with regards to these specific claims and returns for 2009-10. However, given that the 2009-10 Internal Audit Plan does not include specific work on grant claims and returns that will be audited by us (Internal Audit does review certain other grant claims) we will not be able to rely upon Internal Audit work during the 2009-10 certification process.

For future years we can discuss the scope of such work within the Internal Audit Plan if the Council considers this to be appropriate. This could mean involving Internal Audit on those claims and returns for which we identified inadequate control environments to be in place in prior years. In the case of these particular claims and returns the full Audit Commission tests would be required.

5 Relationship between grants certification and other work

The 2009-10 accounts audit is due to be completed and the audit opinion signed by 30 September 2010. This is before the certification deadline for some of the major claims and returns.

In order to gain assurance that the accounts are not materially misstated with respect to grant income and related expenditure, we perform analytical procedures and key tests from the certification instructions which are material to the Council's accounts as a part of our accounts audit work.

By the earlier of 30 September and the date on which the accounts are signed, we will complete sufficient work on the certification of these material claims and returns to conclude that there were no material misstatements to the accounts due to expenditure incurred or income received. We will complete the remaining tests, to cover the requirements of the certification instructions, prior to the certification deadlines.

As in 2008-09, one integrated piece of work on benefits will be undertaken, covering claim certification, data quality and some elements relevant to the accounts opinion. The scope of this work is set out by the Audit Commission in the housing and council tax benefits certification instruction and HB COUNT workbooks.

We are required to complete enough work to inform our Value For Money conclusion and accounts opinion by 30 September 2010. All work on this claim, including any additional testing as a result of identifying errors in the initial sample, is required to be completed by the certification deadline of 30 November 2010.

6 Roles and responsibilities

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role and responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims.
Audit Commission	Issues certification instructions for auditor work.
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines.
Appointed Auditor	Certifies claims submitted in accordance with Audit Commission Instructions and within certification deadlines.

The Council's role can be further analysed areas as follows:

- the Director of Finance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of grant schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm grant entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from the grant paying bodies
- to comply with Audit Commission Certification Instructions, claims and returns should be supported by adequate working papers. The Council should have procedures in place to ensure that not only are the claims and returns prepared for external auditor certification but also that the documentation is in place to support the information declared
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Director of Finance or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

7 Grants protocol for 2009-10 claims & returns

The following summarises the proposed protocol for the certification process during 2009-10.

- The Council has identified all claims and returns and this information is incorporated into Appendix A to this grants plan.
- When each expected claim or return is completed, a copy of the signed original version should be emailed to Helen Phillips at helen.phillips@gtuk.com.
- The original claims and returns should be retained by the Council with one central named co-ordinator.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this grants plan.
- All claims and returns should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required where necessary. We are required to report the value for these claims to the Audit Commission in our annual grants return.
- We will inform the Council's grants co-ordinator as to which claims and returns have been received, and also to highlight any which have not been received after a submission deadline. We can also provide an update as to which certifications have been completed and which are ongoing on a monthly basis if requested.
- Copies of the certification instructions can be provided on request for any new claims and returns received.
- Once claims and returns are received we will arrange staffing for the certification with the named contact for the particular claim or return.
- We intend to certify all claims and returns in accordance within the deadlines set out by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within the permitted three months from receipt.
- Once we have completed our on-site certification processes we will collect the original claim or return from the named co-ordinator.
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of a qualification letter if applicable.
- We will issue a bill at the end of each month (with the first bill being issued in August 2010), which will break down the overall fee on a claim by claim basis.

- We expect to complete the certification all of claims by late 2010. After this point we will issue a grants report highlighting any issues we feel should be brought to the Council's and Audit Committee's attention.
- We can then discuss with Internal Audit, the possibility of incorporating a number of claims and returns for 2010-11 into the 2011-12 Internal Audit Plan if the Council considers this to be appropriate.

8 Team and timing of work

The team will be led by Helen Phillips (Audit Executive) with overall management by Paul Hughes (Senior Manager). Nick Taylor (Grants Audit Manager) will review the certification work performed, except for the National Non-Domestic Rates return and the Housing and Council Tax benefits scheme, which will be reviewed by Richard Lawson who is a specialist manager for these claims. Paul Dossett (Engagement Lead) will be responsible for final review and certification of the claims and returns.

Our work will be undertaken between June and December 2010 to ensure completion of certification work in accordance with individual statutory deadlines.

Appendix A sets out details of the deadlines for submission of the claims to us, certification deadlines and an estimate of the input required.

The estimated time for each certification is set out in the appendix to the plan and makes the following assumptions:

- the certification instructions for 2009-10 do not vary from 2008-09 to any significant degree, except where there are known adjustments
- the Council provides adequate working papers to support each entry in the grant claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries
- we have assumed that there will be no change in the scope of our work due to the control environments in place during the year.

Should these assumptions not prove to be correct once we commence our work then the budgeted number of days will be increased or decreased accordingly.

A Summary of all claims and returns for the year ended 31 March 2010

Claim	Authority Deadline	Certification Deadline	Claim certified in prior year	Prior year outcome	Estimated days on site
Housing and council tax benefits scheme (BEN01)	31/05/10	30/11/10	Y	Amendment and Report	20
Pooling of Housing Capital Receipts (CFB06)	30/06/10	30/09/10	Y	-	5
General Sure Start (EYC02)	31/07/10	29/10/10	Y	-	10
HRA Subsidy (HOU01)	30/09/10	31/12/10	Y	Amendment	5
HRA subsidy base data return (HOU02)	31/08/10	08/10/10	Y	Amendment	10
Disabled Facilities (HOU21)	30/06/10	29/10/10	Y	-	5
National Non Domestic Rates return (LA01)	25/06/10	24/09/10	Y	Amendment	5
Teacher's Pensions return (PEN05)	30/06/10	30/11/10	Y	-	10
New Deal for Communities (RG03)	30/09/10	31/12/10	Y	-	8
Single Programme LDA (RG31) x3	30/04/10	31/07/10	Y	Amendment to 1 of 5 claims	5

We estimate that our fee for this work in 2009-10 will be approximately £90,000.



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