

AGENDA ITEM: 9

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|----------------|---|
| Meeting | Audit Committee |
| Date | 27 February 2008 |
| Subject | External Audit Report on Grants Submission Process |
| Report of | Deputy Director for Resources & Chief Finance Officer |
| Summary | To consider the report from the external auditor on matters arising from certification of the Council's 2006/07 grant claims. |

| | |
|--|---|
| Officer Contributors | Ade Olagbaju, Finance Manager Closing & Compliance |
| Status (public or exempt) | Public |
| Wards affected | Not applicable |
| Enclosures | Appendix A – Grants Report (February 2008) Appendix B – CFO Signature Request Form |
| For decision by | Audit Committee |
| Function of | Council |
| Reason for urgency / exemption from call-in (if appropriate) | None |

Contact for further information: Ade Olagbaju, Finance Manager Closing & Compliance, 020 8359 7184.

1. RECOMMENDATIONS

- 1.1 That matters raised by the external auditor relating to the grants submission and certification process is noted.**
- 1.2 That management response to the matters raised by the external auditor is noted.**
- 1.3 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 20 March 2007 (External Audit Report on Grants Submission Process).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan includes an objective for a 'strong and supportive governance framework' within 'More Choice Better Value'.

4. RISK MANAGEMENT ISSUES

- 4.1 Failure to have a robust process for the collation and submission of grant claims can place the receipt of external funding, which the Council is entitled to and has budgeted for, at risk.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 To secure and maximise funding for services which benefit the whole community, it is essential that the Council meets all the terms and conditions attached to grant funding.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 The grants submission process is the final stage in the process of receiving external funds from third parties. As noted above, where there are weaknesses in the systems for monitoring and claiming these monies, these funds are potentially at risk.
- 6.2 There are no specific staffing, ICT or property implications.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to consider specific reports as agreed with the external auditor".

9. BACKGROUND INFORMATION

- 9.1 The Council receives substantial funds from external bodies that are used to support service delivery. As part of the process of receiving these funds, the Council is required to submit to the grant paying bodies periodic returns detailing how funds received have been utilised.

9.2 Under Audit Commission guidance Grant Thornton LLP, the Council's external auditor, reviews and certifies all claims in excess of £100,000 after verifying that all expenditure funded from grant received qualifies under the terms and conditions of the grant, to provide assurance to grant paying bodies. Claims and returns under £100,000 no longer have to be certified and only minimal procedures are performed on those between £100,000 and £500,000.

9.3 In 2006/07 11 claims valued at over £170 million were certified.

| | Financial Year 2004-05 | Financial Year 2005-06 | Financial Year 2006-07 |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Number of claims certified | 23 | 20 | 11 |
| Value of claims certified | £156,237,000 | £165,236,000 | £170,409,000 |

9.4 All claims bar one (Staff related inherited liabilities) were certified within the certification deadline. The delay in submitting Staff related inherited liabilities claim relates to the Council recruiting a Pensions Manager. The return will be certified once this position has been recruited to.

9.5 The table below summarises performance in 2006-07 against best practice targets:

| Performance Target | Best Practice Target | Performance in 2004-05 | Performance in 2005-06 | Performance in 2006-07 |
|----------------------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Claims submitted on time | 100% | 70% | 65% | 55% |
| Claims amended | 0% | 57% | 44% | 60% |
| Claims qualified | 0% | 22% | 25% | 40% |
| Net (over) under spend | £000 | £8,000 | -£10,000 | £250 |
| Certified within deadline | 100% | 100% | 80% | 91% |

9.6 Performance appears to have deteriorated considerably over the last three years. This is mainly due to the significant reduction in the number of claims requiring external audit certification. From 2004/05 to 2005/06 there was a 13% reduction in the number of claims requiring external audit certification and 45% from 2005/06 to 2006/07.

9.7 Five of the eleven claims submitted for audit and certification were submitted late and four were qualified in 2006/07. This is a slight improvement on the seven claims submitted late and five qualified in 2005/06. Two of the four qualified claims were qualified due to changes in Audit Commission certification instructions that were not picked up. The other two claims were qualified because supporting files were misplaced as a result of office reorganisations. One important point to note is that the Council's fee for BEN01 claim has reduced from the prior year and was certified without qualification, the latter being rare for this claim. In future, the grants co-ordinator will ensure that copies of certification instructions are forwarded to all officers responsible for compiling audited grant claims. Further details including action that will be taken to ensure performance is improved for future years are detailed in Appendix A.

9.8 The grant fee for 2006/07 was approximately £85,000, a reduction of £10,000 compared to 2005/06. This reduction is due to the reduction in the total number of grants audited. Total fees charged for the eleven claims audited in 2006/07 is more or less the same as was charged in 2005/06 although there were some significant variations in fees charged for a number of individual claims. The most significant variations in fees have been in Pooling of Housing Capital Receipts CFB06 (65% increase), General Sure Start grant EYC02 (37% increase), and Housing Base Data Return HOU02 (32% reduction).

The higher fees charged for CFB06 was due to time lost through the unavailability of key contacts and amendments and re-certification of workings, for EYC02 funding previously certified separately was amalgamated into this claim.

- 9.9 It is now mandatory for responsible budget holders / service managers and Service Finance Managers to review the quality and completeness of supporting working papers and the arithmetical accuracy of claims and returns before they are submitted to the Chief Finance Officer for certification. For each grant claim, this check must be evidenced by completion of the Chief Finance Officer Signature Request Form recently introduced.
- 9.10 Appendix A is the report of the external auditor and incorporates the actions agreed by officers to the issues raised. Appendix B is the Chief Finance Officer Signature Request Form that must be completed for all audited grant claims and returns. Improvements to the grant audit process are being implemented as agreed; generally there will be a lead in time before these improvements are reflected in external audit report.
- 9.11 There will be further reductions in grants requiring external audit certification as all grants delivered via Area Based Grants are non-ring fenced and do not require audit certification. Children's Fund EYC06 and Mental Health Grant HC08 are included in Area Based Grant from 2008/09.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal – MM
CFO – CM

Appendix A

London Borough of Barnet Grants Report

February 2008

Grant Thornton 

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Appendices

- A Action plan
- B Claims and returns submitted on time
- C Claims and returns certified during 2006-07
- D Fee analysis against previous years

1 Executive Summary

1.1 Scope

Grant Thornton as the Council's auditors and acting as agents of the Audit Commission are required to certify the claims and returns submitted by the Council. This certification typically takes place some 6 - 9 months after the claim period and represents a final but important part of the process. This report summarises our overall assessment of the Council's management arrangements in respect of the final part of this process, however, does not cover grant bidding and administration arrangements.

1.2 Background

The Council received 11 grants from Government Departments and other bodies, that required auditor certification, in 2006 -07, representing income for the Council in excess of £170 million; this is highlighted below with a comparison to the 2004 -05 and 2005 -06 financial years.

Table One: Number and value of certified claims

| | Financial Year 2004 -05 | Financial Year 2005 -06 | Financial Year 2006 -07 |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| Number of claims certified | 23 | 20 | 11 |
| Value of claims certified | 156,237,000 | 165,236,000 | 170,409,000 |

1.3 Overall conclusion

Overall there has been an improvement in quality and a major reduction in audit fees since we first certified grants at Barnet in 2002/03. The challenge for the Council is to embed further improvements in the arrangements for preparing grant claims and returns for audit certification, particularly in respect of timely submission of claims and returns. More details have been included in section three and recommendations raised to help the Council achieve this in Appendix A.

We note that the Council has been pro-active in addressing some of these weaknesses already. Training workshops have been provided to relevant

staff with the aim of improving the quality of working papers provided to auditors as part of the certification process and to promote awareness of officers of auditor requirements for grant and return certification. Furthermore the grants co-ordinator is to receive the index of grant claims and returns requiring auditor certification.

There were five claims that were submitted late to the auditor in 2006-07 (seven in 2005-06). There were four claims that were qualified in 2006-07 (five in 2005-06). Two of these claims were qualified due to changes in the certification instructions issued to auditors by the Audit Commission not being picked up by the Council. The other two claims were qualified as a result of supporting files being misplaced as a result of office re-organisations.

Details of which claims were qualified, amended and submitted on time and the reasons are noted in Section Three and Appendix B.

One important point to note is that the Council's fee for the BEN01 claim has reduced from the prior year and was certified without qualification, the latter being rare for this claim. Amongst London Borough's the Council's performance in this area remains relatively strong, and the fee for this claim represents about one third of the total grants fee.

The table below summarises performance in 2006-07 against best practice targets:

Table Two: Performance against best practice targets

| Performance Target | Best Practice Target | Performance in 2004-05 | Performance in 2005-06 | Performance in 2006-07 |
|--|----------------------|------------------------|------------------------|------------------------|
| Claims sub on time | 100% | 70% | 65% | 55% |
| Claims amended (Note 1) | 0% | 57% | 44% | 60% |
| Claims qualified (Note 1) | 0% | 22% | 25% | 40% |
| Net (over) under spend (Note 2) | £000 | £8,000 | £-10,000 | £250 |
| Certified within Audit Commission deadline (Note 3) | 100% | 100% | 80% | 91% |

Note 1: Figures for claims amended and qualified exclude the two claims to be completed.

Note 2: Further details of the over and under spend against the prior year have been included in Appendix D.

Note 3: Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

The overall performance shown in table two identifies that the Council still has some work to do in respect of back end grant procedures and that further work is required to achieve the best practice seen in some higher performing councils in this area. We do however, recognise that some of these targets may be very challenging to achieve. To help the Council achieve this we have raised a number of recommendations in Appendix A.

The challenges presented by the above performance are likely to be further complicated by the impact of the following in the short term:

- As the Council continues to re-organise its structure, there may be further changes in grant compilers and potentially with the grants co-ordinator; and
- Audit Commission changes in the certification arrangements for grant claims and returns as further explained in section four below.

1.4 Acknowledgements

We would like to take this opportunity to thank the Chief Finance Officer and his team for their help and support during the course of the certification process.

Grant Thornton UK LLP
February 2008

2 Approach and context

2.1 Introduction

In carrying out work in relation to government grant claims and other returns, Grant Thornton as the Council's Appointed Auditor are acting as agents of the Audit Commission, on behalf of the grant paying body.

The work that we are required to undertake in respect of each claim is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussions with the grant paying body. Each Certification Instruction details a programme of work which we are required to follow, this programme of work is split into two areas, firstly an overall risk assessment of the control environment in place for the particular claim or return in question and then a series of specific detailed tests.

Following the introduction of the Audit Commission's think piece entitled 'Reducing the Burden' the risk assessment of the overall control environment (referred to above) is clearly linked with the resulting volume of specific detailed tests, which we are required to perform on all claims and returns with eligible expenditure over £500,000.

We are no longer able to perform any certification work on claims and returns under £100,000 and are required to perform only minimal procedures on those between £100,000 and £500,000.

For those claims and returns where a risk assessment is required we consider (amongst others) the following factors:

- 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 had been any significant issues or concerns;
- The quality of working papers produced by the Council to support entries on the claim; and
- The extent to which Internal Audit has been used to verify entries in the claim and the extent to which we are able to rely on that work.

Where little or no reliance can be placed on the control environment then we would undertake detailed testing on each grant claim. For grant claims where reliance can be placed on the control environment then less detailed

testing can be undertaken. This level of testing would be consistent with testing undertaken on claims between £10,000 and £500,000, and is very much a ‘light touch’ approach.

There are clearly fee implications for the Council under ‘Reducing the Burden’ as smaller fees would be expected on those claims and returns where we are satisfied that the Council can demonstrate a strong control environment.

‘Reducing the burden’ has not yet had an impact on fees in 2006-07, due to the control weaknesses noted elsewhere in this report. We would have expected a reduction in fees as a result of ‘Reducing the burden’, especially as central government departments are less inclined to issue a certification requirement on some smaller claims and returns, which has resulted in a smaller number of claims and returns being certified.

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:

Table three: Summary of respective roles and responsibilities

| Party | Roles & Responsibilities |
|-------------------|---|
| Audit Commission | Issue instructions for audit verification and sets deadlines for submission and certification. |
| Appointed Auditor | Certify claims submitted in accordance with Audit Commission Instructions and within certification deadlines. |
| Council | Submit claims for certification to the Appointed Auditors within Audit Commission submission deadlines. |

2.3 Scope

The scope of this report covers our assessment of the Council’s arrangements for the submission of grant claims for audit purposes. It has not covered the overall arrangements put in place by the Council to:

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

3 Summary of findings

3.1 Grants history at the Council

The value and volume of claims at the Council is historically large reflecting the range of grant receiving services provided by the Council. The most significant claims are:

- Housing & Council Tax Benefits Scheme
- Housing subsidy claims and returns
- National Non-domestic Rates.

Based on our previous certification work and Audit Commission notifications we were able to accurately identify the grant claims and returns requiring certification in 2006–07. We identified a total of 11 grant claims and returns to be certified.

3.2 Internal Audit

Historically, the Annual Audit Plan issued by Internal Audit has not specifically covered the grant scheme process. As a result, we planned to place no direct reliance on the work of Internal Audit.

Any arrangements between Internal Audit and us with regards to certification work going forward would need to be built into our 2007-08

Grants Plan and we will revisit this after the completion of the 2006 -07 certification process.

We do note that internal audit have been involved in providing assurance statements to the Chief Finance Officer for some grant claims and returns where external audit certification is not required. This process could be extended to grant claims and returns where external auditor certification is required, as this would meet the requirements of an independent review of the claim working papers prior to external auditor certification.

3.3 Performance in 2006-07

Overall, the Council's arrangements for the timely and accurate submission of grant claims leaves some room for improvement. The table overleaf summarises performance against best practice targets:

Table Four: Performance against best practice targets for the current year and previous years

| Performance Target | Best Practice Target | Performance in 2004-05 | Performance in 2005-06 | Performance in 2006-07 |
|--|----------------------|------------------------|------------------------|------------------------|
| Claims sub on time | 100% | 70% | 65% | 55% |
| Claims amended (Note 1) | 0% | 57% | 44% | 60% |
| Claims qualified (Note 1) | 0% | 22% | 25% | 40% |
| Net (over) under spend (Note 2) | £000 | £8,000 | £-10,000 | £250 |
| Certified within Audit Commission deadline (Note 3) | 100% | 100% | 80% | 91% |

Note 1: Figures for claims amended and qualified exclude the two claims to be completed.

Note 2: Further details of the over and under spend against the prior year have been included in Appendix D.

Note 3: Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

Managing the grant claims and returns process presents a significant challenge for all large authorities due to the volume and diversity of both the claims themselves and also the officers involved in the administration of the process. It is therefore relatively difficult for any authorities to meet all the best practice targets in this area.

The areas where further improvement should be made are in the accuracy and timeliness of claims being submitted for certification.

Taking each target in turn:

- **Claims submitted on time:** The Council has scope for improvement in submitting grant claims and returns on time to the auditors, as 55% of all claims and returns were submitted to the auditor on time. There is a risk of late certification should grant claims and returns not be submitted on time to the auditor. Late certification can lead to the grant paying body withholding or withdrawing funding. We note that the authority was unable to submit the Housing Subsidy base data return on time due to problems with the LOGASnet system used to submit certain housing claims and returns. Excluding this claim performance was roughly the same as in 2005-06. An analysis of which claims and returns were submitted on time is given in Appendix B to this report.
- **Claims amended:** Grant claims and returns are amended as and when errors or omissions are found during the course of the certification process. Although some minor human errors are

inevitable whilst compiling claims and returns, and that the Council has improved its performance in this area, we would expect to have to amend less than 60% of claims and returns. There were significant amendments arising from the Housing and Council Tax Benefit subsidy claim ('BEN01') as a result of amendments being made to the claim form, which were not saved prior to the claim being submitted for certification. We do recognise that some of the amendments to claims and returns certified were minor by nature and that the absolute number of claims and returns amended has fallen. An analysis of the other claims and returns that were amended is given in Appendix C to this report.

- **Claims qualified:** We note that we qualified five grant claims and returns in 2005-06, and four grant claims and returns in 2006-07. 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 either withhold or withdraw payment to the Council of any monies that they feel, based on our qualification letters, are not adequately supported. Firstly, the Teachers' Pensions return ('PEN05') was qualified as a result of the Council not being able to check that only pensionable pay has been used to calculate pension contributions for schools using externally provided payroll systems, as external payroll providers do not provide corroborative data for fear of breaching the Data Protection Act 1998. Secondly, the Disabled Facilities grant claim ('HOU21') was qualified as two files

supporting grants made could not be located after an office re-organisation. Thirdly, the Housing Subsidy base data return ('HOU02') was qualified for two reasons. The first qualification was that two files supporting housing stock re-lets could not be located after an office re-organisation. Also, a historic qualification issue was noted as a result of the certification instruction definition of long-term leases, whereas the Council has a continual rolling six monthly lease for HRA properties rented from Transport for London. Finally, the Housing Revenue Account subsidy claim was qualified due to a mis-interpretation of the guidance to calculate one cell, where equity share dwellings were incorrectly excluded, and a change in a cell on the claim form arising from a Special Determination from the Secretary of State which could not be changed on LOGASnet due to the set up of this system. Both of the qualifications of the HOU01 are due to 'technical' reasons.

- **Total of net fee over-runs:** Even with the introduction of the Audit Commission's 'Reducing the Burden' think piece, grant certification remains a significant element of the Council's non-code Audit and Inspection fee. Overall the grant fee for 2006-07 was approximately £85,000, with a further claim and return to be billed. This represents a nominal decrease in fees based on comparative information for last year. The most significant increases have been in General Sure Start grant ('EYC06'), Pooling of Capital Housing Receipts ('CFB06') and National non-domestic rates ('LA01'). The increase in the fee for the EYC06 claim was due to the amalgamation of funding previously certified separately into this claim. There were amendments and re-certification of workings

that took more time in the CFB06 claim, and for this claim and the LA01 claim there was time lost through unavailability of key contacts. It should be noted that in percentage terms the increase in the LA01 is relatively small. Appendix D to this report shows details of fees for grants and returns certified for 2006-07 and the equivalent grants billed in 2005-06.

- ***Certified within the Audit Commission's deadline:*** 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 supporting working papers. It should be noted that it is the Council's responsibility to ensure that all statutory deadlines are met. This year we were able to certify all schemes bar the Staff related inherited liabilities ('PEN04') within the certification deadline. We understand that the delay in submitting this claim for external auditor certification relates to the Council recruiting a Pensions manager. Once this position has been recruited to, we understand that this return will then be certified.

To summarise, the most significant issues arising from our review are:

- Improvements made in prior years appear not to have continued. However, one reason for this may be that as a result of the reduction in the number of claims and returns certified, the more technically difficult claims and returns require certification. This would increase the risk of amendment and qualification.

- A reduction in the number of claims being amended and qualified, although in percentage terms there has been an increase in the proportion of claims and returns amended and/or qualified.
- Over runs have been noted on a small number of claims and returns, and implementation of the recommendations in Appendix A should lead to a reduction in grant fee.
- One other point to note is that the Council's fee for the BEN01 claim has reduced from the prior year and was certified without qualification, the latter being rare for this claim. Amongst London Borough's Council performance in this area remains relatively strong, and the fee for this claim represents about one third of the total grants fee.

Recommendations have been made in Appendix A, to help the Council to improve the accuracy of grant claims and returns submitted for certification.

3.4 Wider implications and the way forward

Amendments 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 take steps to reduce the number of amended claims in future years.

This report has only covered the 'back-end' arrangements in respect of grant claims but weaknesses in this part of the process are often indicative of structural weaknesses from the beginning of the grant claims process. The following are areas where the Council may consider looking at:

- Claims are made for every area of eligible expenditure (subject of course to compliance with Council priorities and duties);
- Resources are committed to manage the grant income and cash-flow in an effective manner; and
- Suitable performance management arrangements are in place for both internal staff and third parties, charged with these responsibilities. We would stress that it is the Council's responsibility to ensure that third parties charged with management of grant funding comply with the conditions of the grant.

In section four we have provided details of the Audit Commission's proposed arrangements, which may lead to a reduced amount of grants and returns being certified, and a reduced fee paid for certifying grant claims and returns.

3.5 Staffing at the Council

Firstly, we have been informed that Ade Olagbaju is to be the lead audit contact for grant claims and returns in 2007-08. The grants co-ordinator has been in contact with the audit manager for grants to obtain copies of auditor certification instructions and we hope that we can work with the grants co-ordinator to improve performance against best practice targets. To this extent Grant Thornton, internal audit and the grants co-ordinator have run two joint workshops on grant claims and returns in January 2008.

Secondly, we noted that in 2006-07 there were changes in the finance contacts for a variety of grant claims and returns. This does increase the risk of error and delay in the certification process due to there being different people involved in the preparation of the claims and returns and the certification of those claims and returns. This is an unavoidable consequence of the re-organisation that the Council has undertaken.

4 Changes to grant certification arrangements in 2007-08

The Audit Commission have proposed to not to change the de minimus and threshold limits which determine the level and scope of work that auditors are required to do when certifying grant claims and returns.

We are no longer able to perform any certification work on claims and returns under £100,000 and are required to perform only minimal procedures on those between £100,000 and £500,000.

Assuming that there this limited change to the amount of work that we need to do on individual grant claims and returns and no significant changes in eligible expenditure, then we would expect 10 claims and returns to have eligible expenditure of over £500,000 in 2007-08.

Due to the Council achieving a '3 star' rating in the latest corporate assessment the amount of claims and returns that are required to be certified may fall for 2007-08. This has not been taken into account in the analysis above, but could result in a reduction in the number of claims and returns that are subject to auditor certification.

Following the merger between the Audit Commission and the Benefits Fraud Inspectorate, a more risk-based approach is to be undertaken in the certification of the Housing and Council Tax Benefits subsidy claim. Likely changes to our work are expected to be no certification work on cells of low value to the overall claim, and work to be completed proportionate to the risk of error for high value cells.

Therefore we would expect reduced fees for grants and returns in 2007-08 as a result of these revised arrangements.

Finally, it is likely that the certification deadline for the NNDR3 return will be aligned with the accounts signing deadline of 30 September 2008.

A Action plan

Our priority system grades the most significant recommendations as priority 1.

| Reference | Issue and Recommendation | Priority | Management Response | Implementation | |
|--|--|----------|--|---|---|
| | | | | By who: | By when: |
| Arrangements for managing and administering grant schemes | | | | | |
| 1 | All working papers should be reconciled back to the claim or return, prior to the claim or return being signed by the Chief Finance Officer. Each cell within the claim form should be referenced back to the supporting working paper as part of this check. | 1 | It is now mandatory for the budget holder or service Finance Manager to check and ensure this has been done by the compiler before completed claims / returns are submitted for CFO signature. | Compiler Budget Holder / Service Finance Manager | Prior to submitting completed claim form for CFO signature. |
| 2 | Arithmetic checks should be undertaken on the claim or return to ensure that transposition or other calculation errors are identified prior to certification. | 1 | Attendees at the January Grants Briefing Sessions have been informed that this is now a mandatory check to be completed and must be evidenced on CFO Signature Request Form | Budget Holder / Service Finance Manager | Prior to submitting completed claim form for CFO signature. |
| 3 | As there are officers now responsible for grant claims and returns without prior experience and training in the preparation of claims and returns for audit, the Council should provide training on the certification process. | 2 | Training on the certification process was provided at the January grants briefing session and all officers involved in completing grant returns were invited. Grants co-ordinator to | Grants co-ordinator | As and when necessary or requested. |

| Reference | Issue and Recommendation | Priority | Management Response | Implementation | |
|--|--|----------|--|--|--|
| | | | | By who: | By when: |
| | | | provide on-going training & guidance as required on grant certification process. | | |
| 4 | The grants co-ordinator should ensure that the Council's grant register is kept up to date, including details of key deadlines to improve the timeliness of submission of grant claims and returns for auditor certification. | 2 | Grants Register currently being updated for 2007/08 and will include key deadlines. | Grants co-ordinator | Mid - February |
| 5 | The grants co-ordinator should ensure that as well as the key finance contact; details of the officer administrating the detail of the grant claim and return are included on the grants register. This would minimise the risk of key contacts not being available during agreed audit dates. | 2 | Revised Grants Register to include all key contacts | Grants co-ordinator | Mid - February |
| 6 | The grant compiler should be responsible for ensuring that supporting documentation, including invoices and client files are available for auditor inspection during the certification visit. | 1 | This was emphasised at January Grant Briefing Sessions. Grants co-ordinator will reiterate when liaising with compilers. | Grant Compilers and Service Finance Managers | One week before due date to audit |
| Specific grant claims and returns | | | | | |
| 7 | Children's Fund – EYC06 As part of monitoring performance of projects, visits should include verifying spend included on quarterly claim forms to prime documentation. This would improve the control environment in monitoring expenditure undertaken by partners. | 3 | Sample number of invoices are checked against claims as all organisations accounts are subject to external audit. External audit certification will no longer be required from 2008/09 | Barnet Voluntary Services Council | On-going |
| 8 | Teachers' Pensions (TP) – PEN05 The HR Quality Control Manager should obtain letters of assurance from schools with external payroll providers to verify that the external payroll providers are only including pensionable items in the | 2 | Letter to go out to all schools that use external payroll providers asking them to complete a "Statement of Correctness" for their TP figures | Quality Control Manager (HR/Payroll) | Signed "Statement of Correctness" to be completed by 15 th March 2008 |

| Reference | Issue and Recommendation | Priority | Management Response | Implementation | |
|-----------|------------------------------------|----------|---------------------|----------------|----------|
| | | | | By who: | By when: |
| | actual contributory salary figure. | | | | |

B Claims and returns submitted on time

| CI ref. | Claim | Claim received on time Yes - No |
|---------|---|------------------------------------|
| BEN01 | Housing Benefit & Council Tax Benefit Subsidy | No |
| CFB06 | Pooling of Housing Capital Receipts | Yes |
| EYC02 | General Sure Start | Yes |
| EYC06 | Children's Fund | No |
| HC08 | Mental Health grant | Yes |
| HOU01 | Housing Revenue Account Subsidy | Yes |
| HOU02 | Housing Subsidy Base Data Return | No |
| HOU21 | Disabled Facilities grant | Yes |
| LA01 | National non-domestic rates return | No |
| PEN04 | Staff related inherited liabilities | No |
| PEN05 | Teachers Pension return (x3) | No |

C Claims and returns certified during 2006-07

| Grant Claim | Grant Title | Value of claim | Amended | Value of Amendment (£) (Note 1) | Qualified |
|-------------|---|-------------------------|---------|------------------------------------|-----------|
| BEN01 | Housing Benefit & Council Tax Benefit Subsidy | 164,221,510 | ✓ | 1,547,246 | |
| CFB06 | Pooling of Housing Capital Receipts | 7,900,650 | ✓ | -5,997 | |
| EYC02 | General Sure Start | 3,708,588 | ✓ | -120 | |
| EYC06 | Children's Fund | 617,142 | | N/a | |
| HC08 | Mental Health grant | 1,013,859 | | N/a | |
| HOU01 | Housing Revenue Account Subsidy | -9,494,154 | ✓ | Note 3 | ✓ |
| HOU02 | Housing Subsidy Base Data Return | N/a | ✓ | Note 3 | ✓ |
| HOU21 | Disabled Facilities grant | 835,389 | | N/a | ✓ |
| LA01 | National non-domestic rates return | 84872670 | | N/a | |
| PEN04 | Staff related inherited liabilities | (No claim received yet) | | Note 2 | |
| PEN05 | Teachers Pension return (x3) | 17,767,111 | ✓ | -133,197 Note 4 | ✓ |

Note 1 – A positive number relates to an increase in the amount receivable/decrease in the amount payable. A negative number relates to a decrease in the amount receivable/increase in the amount payable.

Note 2 – The certification of these grants and returns have yet to be completed.

Note 3 - The financial impact of amendments to these two claims are not obvious to the auditor. The amendments to the HOU01 may have a financial impact as the amount of subsidy repayable may require adjustment. The HOU02 return amendments will have an impact on the housing revenue account subsidy payable in 2008/09.

Note 4 – One of the three claims was amended and qualified. In both cases this was the main claim.

D Fee analysis against previous years

| Billed | CI ref. | Claim | Total fee (Current Year) | Total fee (Prior Year) | Variance (Fav/Adv) |
|---------------------------------|---------|-------------------------------------|-----------------------------|---------------------------|--------------------|
| Oct 2006 | EYC02 | General Sure Start Grant | 5,000 | 3,660 | (1,340) |
| | EYC06 | Children's Fund | 3,562 | 3,330 | (232) |
| | HOU02 | Housing Subsidy Base Data Return | 8,750 | 12,810 | 4,060 |
| | HOU21 | Disabled Facilities Grants | 5,250 | 5,490 | 240 |
| | LA01 | NNDR3 return | 13,625 | 11,160 | (2,465) |
| | PEN05 | Teachers' Pensions Returns (x3) | 6,250 | 7,440 | 1,190 |
| Nov 2007 | BEN01 | Housing and Council tax benefits | 28,063 | 28,650 | 587 |
| | CFB06 | Pooling of Capital Housing Receipts | 5,750 | 3,480 | (2,270) |
| | HC08 | Mental Health Grant | 3,188 | 3,540 | 352 |
| Dec 2007 | HOU01 | Housing Revenue Account Subsidy | 5,312 | 5,340 | 28 |
| Total – see Notes 1 and 2 below | | | 84,750 | 84,900 | 250 |

Note 1 - No fee has been charged for the staff related inherent liabilities return ('PEN04'), as certification work is yet to be completed.

Note 2 – The total fee for grants in 2005/06 was £97,470. The difference is due to the Teachers Pay Grants (£810), Discretionary Housing Payments (£1,440), Education Special Grant (£1,860), AIDS Support Grant (£1,920), London Recycling Fund (£3,060), Improving Information Management Grant (£1,410), Quality Protects (£1,260) and Teenage Pregnancy Grant (£810) not being included on the prior year fee analysis as the requirement for auditor certification ceased in 2006/07.

Appendix B: Chief Finance Officer (S.151 Officer) Signature Request Form

| | |
|---|--|
| Grant Claim Description | |
| Submission Deadline | |
| Grant Allocation (if any) | |
| Claim Value £ | |
| Variation on Previous Claim £ | |
| Reason for Variation | |
| Audit Certification required If yes, Internal or External Deadline for submission to Audit | |
| Details of any audit amendments and/or qualifications in the last claim, and actions taken since | |
| Claim Entries Referenced to Supporting Working Papers (Y/N) | |
| Arithmetical Accuracy Checked (Name) | |
| Service Contact(s) | |
| Do grant conditions allow admin costs to be included in the claim | |
| Admin costs included £ | |
| Changes in grant conditions since last claim | |
| Changes in accounting treatment since last claim (both SORP and locally driven) | |
| Location of working papers | |
| Problems experienced in completing the claim | |
| Estimated time taken to complete return | |
| Claim completed by (name & signature) | |
| Completed in accordance with grant terms & conditions (Finance Manager or Budget Holder check) Name & signature | |
| Date submitted for CFO signature | |