

	<h2>Audit Committee</h2> <h3>30th January 2017</h3>
<p style="text-align: right;">Title</p>	<p>Grants Certification Work Report 2015/16</p>
<p style="text-align: right;">Report of</p>	<p>Interim Chief Executive and Section 151 Officer</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – Grant Claims and Returns Certification Report 2015/16</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Gillian Clelland – Assistant Director, CSG Finance Service Gillian.clelland@barnet.gov.uk</p>

Summary

The purpose of the report is to consider the report from the external auditors on the Council’s management arrangements in respect of the certification process for grants.

Housing benefit subsidy

Public Sector Audit Appointments Ltd (PSAA) has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim. BDO undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP). After completion of the tests contained within the CI, the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

The value of the housing benefit subsidy claim for 2015/16 was £267.8m compared with £260.5m in 2014/15. A number of errors were identified in the auditors’ initial sample testing which meant that, in two areas, further samples had to be selected and tested. This led to some delays in the audit process which, together with the fact that the audit started later than it normally would have, led to the claim being certified on 19 December which was after the Government’s deadline of 30 November. As a result of this delay, The DWP

temporarily withheld £1.1m of subsidy from the Council's December payment. The withheld amount was received in January.

The audit process identified amendments to the subsidy claim totalling of £1,443 (0.0005% of the total claim). The audit certificate was also qualified to refer to the adjustment for non-HRA self-employed earnings being based only on an extrapolation as the Council could not isolate and correct for all errors. The qualification letter also referred to some uncertainty in the application of the guidance for benefit calculations covering student loan income and term-time child care costs.

It is extremely common for benefit subsidy claims to be amended and/or qualified as they are very complex and, unlike other non-grant related audit work, there is no materiality threshold.

Other certification work

Government departments also require external assurance on two other grant claims and returns, however these assurance reviews are not covered by BDO's appointment by PSAA. The Council has therefore separately engaged BDO to undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant departments, of the pooling of housing capital receipts return and the teachers' pensions return for the year ended 31 March 2016.

The pooling of capital receipts return was certified and submitted in accordance with the deadline. However, the teachers' pension return, while submitted by the deadline, received a qualified opinion as, due to the omission of some schools from the return and errors found in sample testing, the auditors were unable to conclude that the form had been properly prepared and that all amounts payable had been collected, recorded and paid over.

The auditors have made a number of recommendations to improve the Council's management arrangements and processes in relation to grants claims and returns. Management responses to these recommendations, together with responsible officers and implementation dates are included in the report at Appendix A.

Audit fees

The fee paid to the auditors for certification work for 2015/16 was £29,117 which is a reduction of £10,583 from 2014/15.

Recommendations

- 1. That the Committee note the report;**
- 2. That the matters raised by the external auditors relating to the grant submission and certification process are noted by the Committee; and**
- 3. That the Committee consider whether there are any areas on which they require additional information.**

1. WHY THIS REPORT IS NEEDED

- 1.1 PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim. Government departments also require external assurance on two other grant claims and returns – the pooling of capital receipts return and the teachers' pensions return.

2. REASONS FOR RECOMMENDATIONS

- 2.1 So that the Council can consider the external auditor's certification report, be able to comment on the scope and depth of external audit work and to ensure it gives value for money.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 None

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Grants Certification Work Report addresses fundamental aspects of the Council's management arrangements which support the Council's corporate priorities as expressed through the Corporate Plan.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The grants submission process is the final stage in the process for receiving external funds from third parties. If there are weaknesses in the systems for monitoring and claiming monies, these funds could potentially be at risk.

5.3 Legal and Constitutional References

- 5.3.1 The recommendations of this report do not give rise to any specific legal issues.

- 5.3.2 The Council's Constitution, Responsibility for Functions - the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance" and "To consider specific reports as agreed with the external auditor."

5.4 Risk Management

- 5.4.1 The Grants Certification Work Report summarises BDO's overall assessment

of the Council's management arrangements in respect of the certification process of grant claims, however it also draws attention to significant matters in relation to individual claims. Failure to address these matters can place at risk the receipt of external funding that the Council is entitled to and has budgeted for.

5.5 Equalities and Diversity

5.5.1 The Grants Certification Work Report covers the arrangements in place for securing grants across services within the Authority. This in turn impacts on all members of the community.

5.6 Consultation and Engagement

5.6.1 There are no consultations or engagements relevant to this report.

6. BACKGROUND PAPERS

None