

	<b>Audit Committee</b> <b>31<sup>st</sup> January 2018</b>
<b>Title</b>	<b>Grant Claims and Returns Certification Report 2016/17</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Grant Claims and Returns Certification Report 2016/17
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## 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 2016/17 was £271.8m compared with £267.8m in 2015/16. The audit found that the Council's processes for administering benefits and preparing the subsidy return are generally sound; however a small number of errors were identified in the auditors' initial sample testing which meant that, in four areas, further samples had to be selected and tested. The audit process identified amendments which reduced the total subsidy claim by £15,490 (0.006% of the total claim).

The audit certificate was qualified due to errors and misclassifications in non-HRA rent rebates, errors in the calculation of childcare disregards and incorrect tax credits used in the calculation of rent rebates. The claim was adjusted for all errors and misstatements identified however, due to the size of the population and the variation in the errors found, the audit was not able to conclude that the claim was fairly stated, regardless of the adjustments made. It is extremely common for benefit subsidy claims to be amended and/or qualified as they are very complex and, unlike 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 2017.

Some amendments were made to the pooling of capital receipts return, however the return received an unmodified audit opinion.

The auditors noted that there had been some improvement in the preparation of the teachers' pensions return for 2016/17 compared with the previous year. However, a number of issues were identified which resulted in the return receiving a qualified audit opinion. The return was not amended to reflect the errors found as the auditors were unable to assess the impact of the errors. The auditors have made four recommendations in relation to the preparation of the teachers' pensions return. 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 2016/17 was £28,060, which is a reduction of £3,066 from 2015/16. The 2015/16 fee includes supplementary fees of £2,009 for additional work requested by the DWP.

## **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 In order 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 Grant Claims and Returns 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.
- 5.2.2 The audit fee for 2016/17 £28,060, which is a reduction of £3,066 from 2015/16. The 2015/16 fee includes supplementary fees of £2,009 for additional work requested by the DWP.

### **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 In accordance with the Constitution the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

### **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

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