

Audit Sub Committee
London Borough of Bromley
Bromley Civic Centre
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24 February 2010

Ladies and Gentlemen

Annual Grant Claim Certification Report

We are pleased to present our first annual report summarising the results of our 2008/09 grant claim certification work.

The purpose of this letter is to provide a high level overview of the results of the certification work that we have undertaken at the London Borough of Bromley ("the Council") between March 2009 and January 2010 that is accessible for members and other interested stakeholders.

We consider the results of certification work when performing other Code of Audit Practice work at the Council, including for our conclusions on the financial statements, use of resources, data quality, and financial management.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

The Audit Commission is required by law to make certification arrangements for grant paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify

claims and returns as they arise throughout the year to meet the audited claim/return submission deadlines set by grant paying bodies.

Results of Certification work

The Audit Commission issues Certification Instructions to set out the work required for the certification of grant claims. These instructions include a de minimis threshold for the certification of claims, which means that for 2008/09, claims below £100,000 do not need to be certified. In addition, claims below £500,000 only require a limited set of tests to be completed.

We are pleased to report that we have now audited all claims that have been brought to our attention.

All deadlines for submission of audited claims/returns were met with the exception of the Childcare Affordability Programme (CAP) Grants for 2007/08 and 2008/09 and the General Sure Start 2007/08 claim. The work on the CAP grants was delayed until agreement of the amounts was received by Bromley from the Greater London Enterprise (GLE) and was completed in January 2010. The format of the Sure Start grant submission form was changed and therefore required a new audit this year. The Council had liaised with the relevant bodies regarding the revised submission date of these grants.

The table below sets out the nine grants that we certified during 2008/09 and whether they required amendment and / or qualification.

CI	Claim/Return	Amended	Qualified
	2007/08 claims		
RG31	Single Programme LDA CAP Phase 2	No	No
EYC02	General Sure Start	No	No
	2008/09 claims		
BEN01	Housing and Council Tax Benefit Subsidy	Yes	Yes
RG31	Single Programme LDA Bromley Youth Officer	No	No
EYC02	Sure Start, Early Years	No	No
RG31	Single Programme LDA CAP Phase 2	No	No
HOU21	Disabled Facilities	No	No
LA01	National Non Domestic Rates	No	No

CI	Claim/Return	Amended	Qualified
PEN05	Teachers Pension	Yes	Yes

Council staff responsible for grant claims have ensured that claim forms and supporting information have been ready in time for our audits. This has helped to keep the overall cost of the claims to a minimum. We believe that the Council could achieve further savings in the cost of grant claim certification by addressing the qualification issues identified in our audit of the Housing Benefit Subsidy grant claim and the Teachers Pension grant claim and those points noted in Appendix A.

We have noted that some of our other local government clients have a grants co-ordinator who oversees all issues in relation to the grants. This role was partially adopted by the Head of Co-ordination and Control (Corporate) at the Council. Having someone to act as a grants co-ordinator is good practice and will ensure that all grants issues are communicated through a central person and that responsibilities are clearly defined.

We are pleased to report that we have already started working with officers on some of the areas mentioned above to minimise the risk of qualification in 2009/10.

Overall, apart from the matters identified in Appendix A, we identified that the Council has strong internal controls and financial reporting processes in place over the administration and preparation of grant claims. By considering the points raised above and by implementing the recommendations in Appendix A there is potential to improve the efficiency of the grants certification process even further.

Arrangements for 2009/10

On receipt of the updated Certification Instruction index for 2009/10, which will confirm the certification deadlines, we will discuss and agree arrangements with officers for the preparation and certification of 2009/10 claims.

Acknowledgements

We would like to express our appreciation for the help and co-operation that we received from the Council's staff during the course of our grant certification work.

The observations and recommendations that we have noted during the course of our audit work are included within Appendix A and the certification fee for each claim is detailed in Appendix B.

Yours faithfully

PricewaterhouseCoopers LLP

Appendix A

	Observation	Recommendation	Claims to which this relates
	<i>Claims below the Audit Commission threshold of £500,000</i>		
1	Grants below the audit commission threshold of £500,000 are subject to Part A limited audit testing only.	<p>The level of working papers required for grants that are below the threshold can be significantly reduced to include only evidence that is required in accordance with Part A testing. Part A tests are set out in the General Certification Instructions (para 42), a copy of which we will provide to the Council.</p> <p><i>Working papers should only be reduced where they are not used for management purposes or internal control and are prepared solely for the certification of the claim.</i></p>	<i>Single Programme, London Development Agency - Childcare Affordability Programme Phase 2 and Bromley Youth Officer</i>
	<i>Claims above the Audit Commission threshold of £500,000</i>		
2	<p>During the audit we identified that in some instances the officers responsible for the grant claim were not aware of the type testing that PwC would be performing on the grant, although this is specified in the certification instructions. Therefore this information was not always ready for when the audit started.</p> <p>This may delay the start of the certification work and extend the time required to complete the work.</p>	We will work with the Council in preparation for the 2009/10 grants audits to ensure that all officers responsible for grants preparation are aware of the work that is likely to be undertaken on each grant claim, based on the size and nature of the claim.	<i>Not specific to any claim</i>
3	<p><i>Housing and Council Tax Benefits</i></p> <p>The testing of this grant requires us to provide assurance that entries in each section of the form (non-HRA rent rebates, rent rebates, rent allowances, council tax</p>	<p>Officers may wish to review the current checking processes in place to ensure the level of accuracy of claims is appropriate.</p> <p>By testing a sample of claims the Council may gain additional assurance that claims are</p>	<i>BEN01 – Housing and Council Tax Benefits</i>

	<p>benefits) have been completed in accordance with the guidance.</p> <p>During our 2008/09 certification of the claim our initial sample testing identified one error whereby the incorrect claimant wages figure had been used to calculate the eligible payment. Further testing identified an additional error whereby water charges had been included in the eligible payments calculation. The total value of the two errors identified was £2,275, with the total value of the claim being £104,980,880.</p> <p>We were required to qualify the grant due to the issues noted above.</p>	appropriate and comply with regulations.	
4	<p>Housing and Council Tax Benefits</p> <p>We noted that working papers were generally very good but when detailed testing was performed it was often difficult and time consuming for Council officers to identify supporting documents for individual claimants due to the way in which these were titled when they are scanned onto the system.</p>	We suggest that the Council considers standardising the categorisation of supporting documents to make their retrieval easier.	<i>BEN01 – Housing and Council Tax Benefits</i>
5	<p>Teachers Pension</p> <p>The working papers for this grant were generally easy to follow and comprehensive. However, at the time of our fieldwork there was insufficient information available detailing how the Council satisfies itself on the accuracy of the external data provided by schools which have a separate payroll system.</p>	<p>We have since met with members of the Children and Young People's (CYP) Finance team to discuss how the Council obtains assurance over the payroll information provided by 3rd party suppliers.</p> <p>It was clear from our discussions that assurance is obtained from several different sources and it was agreed that this would be articulated and demonstrated for the 2009/10 grant certification.</p>	<i>PEN05 – Teachers Pensions Agency</i>

Appendix B

The certification fees for each claim are set out below:

CI	Claim/Return	2008/09 Fee (£)
2007/08 claims		
RG31	Single Programme LDA CAP Phase 2	1,180
EYC02	General Sure Start	3,600
2008/09 claims		
BEN01	Housing and Council Tax Benefit Subsidy	22,000
RG31	Single Programme LDA Bromley Youth Officer	1,900
EYC02	Sure Start, Early Years	2,860
RG31	Single Programme LDA CAP Phase 2	1,180
HOU21	Disabled Facilities	3,600
LA01	National Non Domestic Rates	6,300
PEN05	Teachers Pension	4,850
	Total	47,470

As this is the first year as the auditors of the Council we do not have comparable fee information for the 2007/08 grants certification work.

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