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# *London Borough of Bromley Certification Report (2009/10)*

*Certification Report to  
those charged with  
governance (2009/10)*

February 2011





Audit Sub Committee  
London Borough of Bromley  
Bromley Civic Centre  
Stockwell Close  
Bromley  
BR1 3UH

January 2011

Our Reference: JD/SB/01

Ladies and Gentlemen

### **Certification Report (2009/10)**

We are pleased to present our Annual Certification Report summarising the results of our 2009/10 grant certification work. The purpose of this report is to provide a high level overview of the results of certification work we have undertaken at the London Borough of Bromley on 2009/10 claims and returns that is accessible for members and other interested stakeholders.

Fees for 2009/10 certification work are summarised in Appendix A.

### **Results of Certification work**

During the period June – November 2010 we certified eight claims and returns worth a total of £233,758,991. Of these, three were amended following the certification work undertaken and one required a qualification letter to set out the issues arising from the certification of the claim/return. We set out further details in the attached report.

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2009/10 set out in Appendix B; and
- the adequacy of progress made in implementing the prior year action plan (Appendix C).

Yours faithfully,

PricewaterhouseCoopers LLP



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# *Introduction*

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# ***Introduction***

## ***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, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, 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 certified claim/return submission deadlines set by grant-paying bodies.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements and on value for money.

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

In March 2010 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 and on the Audit Commission’s website. 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.

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## ***Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns***

In November 2010 the Audit Commission updated the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns'. This is available from the Audit Commission's website. The purpose of this statement is to summarise the Audit Commission's framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission's appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

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# *Results of Certification Work*

# Results of Certification Work

## Claims and returns certified

A summary of the claims and returns certified during the year is set out below. In one case a qualification letter was required to set out significant issues arising from the certification of the claim/return. Three of the claims/returns were amended following the certification work undertaken. All deadlines for submission of certified claims/returns were met.

### Claims and returns certified in 2009/10

CI Reference	Title	Form	Original Value (£)	Final Value <sup>1</sup> (£)	Amendment	Qualification
BEN01	Housing and council tax benefit scheme	1	122,653,228	122,653,947	719	Yes <sup>2</sup>
EYC02	Sure start, early years and childcare	2	7,753,903	7,753,903	-	No
HOU21	Disabled facilities	3	690,000	690,000	-	No
LA01	National non-domestic rates return	4	78,862,499	78,862,499	-	No
PEN05	Teachers' pensions return	5	22,170,297	22,170,297	-	No
RG31	Single programme (LDA) – Youth Officer	6	145,430	145,430	-	No
RG31	Single programme (LDA) – Childcare Affordability Programme Phase 1	7	42,594	42,594	-	No
RG31	Single programme (LDA) – Childcare Affordability	8	40,073	40,073	-	No

<sup>1</sup> Some amendments have no impact on the overall value of the claim.

<sup>2</sup> Note that the qualification issues described in the section below did not lead to the claim being amended. The amendment of £719 relates to a separate error that was isolated and enabled the claim form to be adjusted accordingly.



## ***Issues arising***

The issues identified during the course of our work are discussed below.

### ***Weaknesses in internal control***

Although not a weakness in internal control we did note an instance where officers were not aware of the certification requirements and the testing to be performed by PwC. This related to the Single Programme Youth Officer, Childcare Affordability Phase 1 and 2 grants.

Our recommendations to address this matter are set out in Appendix B. The progress made in addressing the issues noted in 2008/09 has been considered at Appendix C.

### ***Non compliance with regulations/ terms and conditions***

We have noted one instance of non-compliance with grant terms and conditions. This related to errors noted in the testing of the housing and council tax benefit subsidy which led to the qualification of the claim.

The risks of not addressing this issue and our recommendations for improvement are set out in Appendix B.

### ***Weaknesses in financial reporting***

No issues were identified in relation to financial reporting.

### ***Prior year recommendations***

We have reviewed progress made in implementing the certification action plan for 2008/09. Details can be found in Appendix C. Overall the Authority has made good progress in addressing these recommendations. In particular, measures have been put in place to address how the Council satisfies itself on the accuracy of the external data provided by schools which have a separate payroll system with the result that the Teachers Pension claim has not been qualified in 2009/10.

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# *Appendices*

# Appendix A

## *Certification Fees*

The fees for certification of each claim/return are set out below:

<b>Claim/Return</b>	<b>2009/10 (£)</b>	<b>2008/09 (£)</b>	<b>Comment</b>
BEN01	28,580	22,000	Increased work required during the 2009/10 certification exercise due to DWP requirement for additional work to be performed on the 2008/09 claim.
EYC02	2,990	2,860	-
HOU21	3,613	3,600	-
LA01	6,326	6,300	-
PEN05	5,026	4,850	-
RG31 – Youth Officer	3,568	1,900	Increased fee due to the complexity of the grant requiring further work, including correspondence with the LDA leading to amendments to the claim form.
RG31 – Phase 1	2,255	1,180	Increased fee due to performing additional work as the claim form was amended.
RG31 – Phase 2	1,310	1,180	-

These fees reflect the Authority's current performance and arrangements for certification. We are happy to discuss how we may assist further with your improvement, for example we can perform specific focussed, risk-based work in the areas covered by grant claims should that be required.

# Appendix B

## *2009/10 Management Action Plan*

<b>Claim/Return (deadline)</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Management response</b>	<b>Responsibility (Implementation date)</b>
Single Programme Youth Officer, Childcare Affordability Phase 1 and 2 (RG31) (31 July 2010)	During the certification we noted that in some instances the officers responsible for the grant claim were not aware of the certification requirements and the testing to be performed by PwC.	We will work with the Council in preparation for the 2010/11 grants certification work to ensure that all responsible officers are aware of the work that is likely to be undertaken on each grant claim.	The particular part of the grant claim that caused the issue no longer exists for 2010/11, but we will work with the Auditors in preparation for the 2010/11 grants certification work to ensure that all responsible officers are aware of the work that is likely to be undertaken on each grant claim.	Relevant grants contacts  The work is ongoing
Housing and council tax benefits subsidy (BEN 01) (30 Nov 2010)	The testing of this grant requires us to provide assurance that the entries in each section of the form (non-HRA rent rebates, rent allowances, council tax benefits) have been completed in accordance with the guidance.  During our 2009/10 certification of the claim our initial sample identified one error in council tax benefits where a period of overpayment had been classified as an eligible overpayment when it was a technical overpayment.	Officers may wish to review the current checking processes in place to ensure the level of accuracy of claims is appropriate.  By testing a sample of claims the Council may gain additional assurance that claims are appropriate and comply with the relevant regulations in these areas.	Recommendations agreed  Additional guidance has been given to staff in the areas of administration where errors were detected. This is being supplemented with a review of procedures and increased checking.  Sample checking is already undertaken by LBB and the benefits contractor (Liberata), with results being advised to senior managers and Members. The accuracy requirement will be strengthened under the new Exchequer Services contract	Interim Head of Revenues & Benefits  The work is ongoing

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
	<p>Further testing identified eight similar cases. The total errors in council tax benefits were £506.54.</p> <p>In rent allowances two errors were noted in our initial testing where a claimant with a regulated tenancy had been classified as having a standard tenancy and where the Council had been made aware of revised tax credits but had not calculated the claim correctly. Further testing did not identify any further errors in rent allowances. The total errors in rent allowances were £4,825.05.</p> <p>We were required to qualify the grant due to the issues noted above.</p>		commencing in April 2011.	

# Appendix C

## *2008/09 Management Action Plan – Progress made*

<b>Claim/Return (deadline)</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Recommendation status</b>	<b>Management response</b>	<b>Responsibility (Implementation date)</b>
Single Programme, London Development Agency - Childcare Affordability Programme Phase 2 and Bromley Youth Officer (RG31) (31 July 2009)	Grants below the audit commission threshold of £500,000 are subject to Part A limited audit testing only.	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.	Implemented	In general working papers have been of good quality and have been sufficient for Part A testing.	N/a
		<i>Working papers should only be</i>			

Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
		<i>reduced where they are not used for management purposes or internal control and are prepared solely for the certification of the claim.</i>			
Not specific to any claim	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	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.	In progress  In general responsible officers have been aware of the type of testing that PwC would be performing on the grant. However, there have still been occasions where officers have been unsure of the certification requirements.  We will continue to work with officers in advance of our certification work to help ensure that officers are aware of the work required.	N/a	N/a

<b>Claim/Return (deadline)</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Recommendation status</b>	<b>Management response</b>	<b>Responsibility (Implementation date)</b>
	<p>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>				
<p>Housing and council tax benefits subsidy (BEN 01) (30 Nov 2009)</p>	<p>The testing of this grant requires us to provide assurance that entries in each section of the form (non-HRA rent rebates,</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</p>	<p>Outstanding</p> <p>We have noted several errors in the 2009/10 Housing and Council Tax Benefits Subsidy Claim which has resulted in the claim being qualified in 2009/10.</p>	N/a	N/a



Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
	rent rebates, rent allowances, council tax benefits) have been completed in accordance with the guidance.	may gain additional assurance that claims are appropriate and comply with regulations.	We therefore consider that the recommendation is still valid and have reported this in the 2009/10 action plan at Appendix B.		
	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				

<b>Claim/Return (deadline)</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Recommendation status</b>	<b>Management response</b>	<b>Responsibility (Implementation date)</b>
	<p>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>				
Housing and council tax benefits subsidy	We noted that working papers were	We suggest that the Council considers standardising the	Implemented	N/a	N/a

<b>Claim/Return (deadline)</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Recommendation status</b>	<b>Management response</b>	<b>Responsibility (Implementation date)</b>
(BEN 01) (30 Nov 2009)	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.	categorisation of supporting documents to make their retrieval easier.	We did not note any instances where it was difficult and time consuming for Council officers to identify supporting documents for individual claimants.		
Teachers pensions return (PEN 05) (30 Nov 2009)	The working papers for this grant were generally easy to follow and comprehensiv	We have since met with members of the Children and Young People's (CYP) Finance team to discuss how the	Implemented  The Council has introduced new measures to ensure that it is satisfied on the accuracy of the external	N/a	N/a

<b>Claim/Return (deadline)</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Recommendation status</b>	<b>Management response</b>	<b>Responsibility (Implementation date)</b>
	e. 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>Council obtains assurance over the payroll information provided by 3<sup>rd</sup> 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>	data provided by schools which have a separate payroll system.		

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