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9. GLA Compliance Audit

9.1 About the GLA's Compliance Audit

- 9.1.1 The GLA's Compliance Audit framework applies to providers receiving grant from the GLA. The purpose of the audit is to ensure that the GLA's policies, funding conditions and procedures are followed. These are set out in various places: contracts, funding programme guidance, and in the Capital Funding Guide.
- 9.1.2 The Compliance Audit takes place annually. Independent auditors are appointed by providers to check a sample of projects for each provider (or consortium or partnership) that has signed a grant agreement, framework delivery agreement or short-form agreement. Projects that completed in the previous financial year between 1 April and 31 March are eligible for audit.

Social Sector ACM Cladding Remediation Fund (SSCRF)

- 9.1.3 The Compliance Audit process also applies to the Social Sector ACM Cladding Remediation Fund (SSCRF) to ensure the fund's procedures have been followed correctly by grant recipients within Greater London. All projects that completed in the preceding year will be audited.
- 9.1.4 The SSCRf audit covers the funded works to remediation Aluminium Composite Material (ACM) cladding and follows its own separate checklist (referenced in section 9.7). Evidence will need to be provided by building owners against each of the criteria.
- 9.1.5 Applicants will be judged to either be compliant (green) or non-compliant (red). The SSCRf grant agreement allows for the recovery of costs where the applicant is found to be in breach of the funding agreement.
- 9.1.6 Please note that this guidance primarily refers to the GLA's main audit, except where clearly indicated as applying to SSCRf.

9.2 Audit scheme file

- 9.2.1 Providers must maintain a comprehensive audit scheme file ('scheme file') that contains all relevant documents. Phased projects should be identified separately in documentation.
- 9.2.2 For the audit, PDF copies of documents are acceptable only if the partner has a robust policy or procedure for the storage and archiving of relevant documents. The independent auditor will need to review this policy or procedure and conduct spot checks as appropriate to ensure that essential original documents can be retrieved from the archive.
- 9.2.3 Providers must retain on file the documents listed below for Compliance Audit purposes. This list is not intended to be exhaustive and while specific programme and project requirements are noted, providers should always

check their contracts and funding conditions for any documentation they must retain.

- Valuation report for the site/property acquired. The report should:
 - take account of all the relevant factors affecting the site/property and its development
 - carry the valuer's original signature
 - clearly identify the site/property which is the subject of the valuation on an accompanying plan endorsed by the valuer
 - be valid at the date of exchange of purchase contracts.
- Confirmation from the provider's solicitor of the dates of exchange of purchase contracts and of completion, the purchase price paid and a comprehensive report on title. Where appropriate, evidence of defective title indemnity insurance in favour of the grant recipient, with a limit of indemnity equal to at least the total grant for the project.
- Documentary evidence to indicate that the procurement arrangements used comply with arrangements and procedures approved by the provider's governing body.
- A property schedule showing addresses, floor areas, and valuations for the completed properties, together with actual rents (split by tenure, type and size of property) and Housing Benefit/Universal Credit-eligible service charges. This should also include any details of any wheelchair-accessible homes being provided on the project.
- Evidence of first-letting rents in tenancy agreements or taken from the provider's rents computer system.
- Consultant's estimate of final works costs and, where appropriate a separate estimate of the non-works elements, e.g. on costs.
- Surveys, drawings, specifications, specialists' and other consultants' reports.
- Terms of appointment of consultants.
- Evidence of the basis of selection of consultants and building contractor.
- Copies of the building contract document and final account documentation. The provider should indicate how the cost breakdown in the final account corresponds to the eligible cost categories set out in the affordable homes block in OPS.
- Any evidence that employees of the contractor and sub-contractors (and any consultants) are paid at least London Living Wage.
- Evidence of planning permission (including details of any discharged planning conditions), building regulations approval and any other statutory consents required. Providers must be able to demonstrate that the appropriate planning consents were obtained at the relevant development

stage, and this may be evidenced by written confirmation from the Employer's Agent.

- Details of the insurance of the property during construction and following completion.
- Certificate of practical completion.
- Copy of the latest payment certificate to the contractor relevant to grant claimed at the final cost stage.
- Housebuilder warranties together with accompanying cover note as required by the CML initiative (now UK Finance, and, more recently, Warranty Release Confirmations), where applicable.
- Relevant expert reports along with appropriate warranties in cases where there may be issues affecting mortgageability.
- Latest interim certificate showing actual costs to-date.

9.2.3.1 On projects where homes for sale are being delivered:

- sale valuations.

9.2.3.2 Where providers are receiving other subsidy:

- a funding profile showing that grant is not being received in respect of costs subsidised by any other body.

9.2.3.3 Where providers are receiving other capital contributions to the scheme from other sources (including other public sources):

- confirmation of the amounts given and the sources of funding, including any correspondence with the third party or parties.

9.2.3.4 Where another provider is managing the completed homes on behalf of the provider:

- A signed and dated management agreement.

9.2.3.5 For major site development works and VAT:

- final certificate/account in respect of the pre-works and VAT certificates equating to the actual works costs above.

9.2.3.6 For charitable RPs that have claimed grant to cover VAT:

- a letter from HM Revenue & Customs or the provider's professional adviser confirming that the supply cannot be zero-rated.

9.2.3.7 For schemes subject to s106 agreements:

- full details of off-site works required by vendor or obligations imposed by the local authority
- detailed estimated costs associated with s106 works.

9.2.3.8 For Refugee Housing Projects:

- evidence that white good and furniture was provided when the homes were let.
- 9.2.3.9 For Refugee Housing Programme, Council Homes Acquisition Programme, and Rough Sleeping Accommodation Programme projects:
 - energy certificates.
- 9.2.3.10 For Rough Sleeping Accommodation Programme projects:
 - copies of tenancies
 - where Clearing House is responsible for making nominations, the Service Level agreement
 - where Clearing House is not responsible for making nominations, evidence that an agreement is in place for the provider to submit monitoring data to Clearing House monthly.
- 9.2.3.11 For shared ownership and London Living Rent projects only:
 - A certificate of partial completion; this is acceptable only where all the units have been handed over leaving only external works to be completed.
 - Solicitor's letter confirming that the purchase has been completed and setting out the sum paid and date of completion (except works-only schemes).
 - Copies of leases.
 - Details of applicant eligibility checks carried out.
 - Details of the properties having been advertised on the GLA's Homes for Londoners portal.
- 9.2.3.12 For Community Housing Fund projects, where a site is being disposed of for a nominal value:
 - documents confirming the agreed price, such as the agreement for lease or purchase of freehold.
- 9.2.3.13 Where any exceptions to the funding conditions have been agreed with the GLA (at the GLA's absolute discretion), the provider should retain evidence of these.

Evidencing compliance with building safety standards

- 9.2.4 The GLA introduced building safety standards under the Affordable Homes Programme 2021-26. These standards are set out on the GLA's website: [Building safety in London | London City Hall](#) .
- 9.2.5 Standards were then applied to a number of other GLA funding programmes, including the Council Homes Acquisition Programme, the Refugee Housing Programme, the Affordable Homes Programme 2021-26 Supported & Specialist Housing Programme and the Single Homelessness Accommodation Programme.

9.2.6 This section is not relevant to the Affordable Homes Programme 2016-23 (including addendum and Building Council Homes for Londoners) and Care and the Supported Specialist Housing Fund.

9.2.7 The GLA accepts that the below list was not available when the Affordable Homes Programme 2021-26 was first launched, and that this may affect the ability of providers to access some of these documents.

New-build, purpose-built flats (and all new-build supported and specialist accommodation (including houses))

9.2.8 Providers delivering the above type of accommodation should ensure the following evidence is on file:

- For standard 1:
 - written confirmation from the contractor regarding compliance with the standard
 - maintenance agreements.
- For standards 2 and 3, written confirmation from the contractor regarding compliance with these standards.
- For standard 4, evidence of registration of in-built electrical products such as white goods.
- For standard 5, the pack/manual given to residents when they first move in.

9.2.9 Flats that have been acquired by a provider via an 'off-the-shelf' package deal, where the homes were not previously occupied, are considered 'new build' and therefore fall into this category.

Acquisitions, new-build houses purchased after completion (excluding supported and specialist accommodation), and homes delivered as refurbishment, conversion and remodelling

9.2.10 Providers delivering the above type of accommodation should ensure the following evidence is on file:

- For standard 2:
 - a signed Statement of Reasonable Endeavours, and evidence it has been submitted to the GLA.
 - Copies of any documents referred to in the Statement of Reasonable Endeavours.
- For standard 4, evidence of registration of in-built electrical products such as white goods.
- For standard 5, the pack/manual given to residents when they first move in.

Grant claim evidence

9.2.11 For **land acquisition grant claims**, providers should retain on file evidence that demonstrates the provider held a secure legal interest at the time of the

grant claim. The definition of secure legal interest is defined in the relevant funding agreement.

9.2.12 For **start on site grant claims**, providers should retain on file the following documentation:

- extracts from the standard form of building contract evidencing the:
 - project name/details
 - parties to the contract
 - contract date/date of agreement
 - date of possession (if relevant)
 - project signatories.
- details of the works and parties to the contract
- a copy of the appendix to the contract showing the date of site possession
- any other confirmation evidence as agreed with the GLA.

9.2.13 For **practical completion grant claims**, providers should retain on file the following documentation:

- practical completion certificate (or similar) from the professional named in the building contract as the employer's contract administrator.
- where appropriate, the Final Certificate under the Building Regulations
- any other confirmation evidence as agreed with the GLA.

9.3 Appointing an independent auditor

9.3.1 Providers are required to commission independent Compliance Audits, including for any SSCRf projects. The GLA will:

- provide guidance and support to the independent auditor as required.
- reserve the right to shadow the planned procedural audit visits to monitor the process.

9.3.2 Providers may commission the following parties to undertake the audit function:

9.3.2.1 a suitably experienced and qualified chartered accountant, including either their external auditors or external accountants undertaking the provider's own internal audit function. However, qualified accountants directly employed by the providers or any other of its partners are excluded as they are not considered to be appropriately independent.

9.3.2.2 RICS surveyors, providing that they are operating in accordance with the appropriate RICS standards and guidance, and that prior approval has been obtained from the GLA. However, the GLA may elect not to exercise its discretion to approve the use of non-accountants.

9.3.3 Providers undertaking compliance audits for the first time should discuss the principles and planned arrangements with the GLA prior to commissioning an independent auditor.

Standardised terms of engagement

- 9.3.4 The GLA has published a set of standardised terms of engagement based on those set out in appendix F of the Institute of Chartered Accountants in England and Wales' *Technical Release AAF 12/23 – Framework document for practitioners' reports on grant claims*. Please note that these standardised terms remain the same as those referenced in the previous version of this document in relation to *Technical Release AAF 01/10*, which has been withdrawn and superseded by AAF 12/23.
- 9.3.5 By publishing these terms, the GLA makes an offer to engage without the need to sign a commissioning document. The GLA will engage on these terms with suitably experienced and qualified accountants and/or RICS surveyors. If the offer to engage is accepted by a provider and an accountant or RICS surveyor, then an agreement is formed. A copy of these terms is available on the GLA's website at the link provided in section 9.7.

9.4 Audit procedure

- 9.4.1 Each summer, the GLA sends providers a list of projects to be audited, including SSCRF projects where applicable. For consortium or partnership arrangements, the lead provider is responsible for audits of projects completed within the consortium or partnership.
- 9.4.2 Deadlines apply for the following:
- notifying the GLA of the independent auditor's name and visit date.
 - submission to the GLA of the independent auditor's report.
- 9.4.3 During the audit, the independent auditor checks each project for compliance using prescribed checklists. The auditor reviews project information contained on file and on the GLA's Open Project System (OPS). Providers should ensure that the auditor reviews up-to-date information (in case there are changes to the OPS record for a project after the auditor has accessed the system). Screenshots should be dated.
- 9.4.4 The independent auditor drafts a standardised report for each partner (using the template provided by the GLA as referenced in section 9.7) setting out any deficiencies against published policy and procedures.
- 9.4.5 The audit represents a snapshot of documentation available at the time of the audit. Where information is not available at the point of audit, the independent auditor should note this in the report.
- 9.4.6 The independent auditor sends one copy of the report to the GLA, and one copy to the provider.

- 9.4.7 The provider then has 10 working days to submit an initial response to the findings, setting out reasons for any deficiencies identified and corrective measures being undertaken.
- 9.4.8 The GLA will then review the findings and, for each issue identified in the auditor's report, will determine whether there has been a breach of funding conditions. It then awards an overall red, amber or green audit procedural rating (explained in section 9.5).
- 9.4.9 In addition to the procedural rating, there is an administration rating reflecting the partner's adherence to deadlines and responsiveness to queries.
- 9.4.10 The GLA then sends the final version of the report to the chair of the provider's board (or, for local authorities, the cabinet member or lead member for housing). It is expected that the chair or lead member will sign a copy and return it to the GLA within the given time.

Copies of documents

- 9.4.11 Completed procedural checklists and scanned versions of supporting evidence do not need to be submitted to the GLA with the independent auditor report. However, the GLA reserves the right to request electronic copies of these as and when it considers necessary.

9.5 GLA ratings

Procedural ratings

- 9.5.1 The overall red, amber or green procedural rating is based on an overview of the equivalent ratings given to individual breaches.
- 9.5.2 The GLA may issue guidance on breach types to give an indication of the severity of the breach and to help promote consistency. Any such guidance is not exhaustive and the GLA reserves the right to adjust or update this as necessary.
- 9.5.3 The GLA will consider each breach on a case-by-case basis and will use judgement in awarding the overall rating.
- 9.5.4 The GLA may take into account, for example, the cumulative impact of many low-severity breaches in awarding the overall rating.

Administration rating

- 9.5.5 The audit report also features an administration rating, based on the provider's adherence to deadlines and responsiveness to queries. This may be good, satisfactory, or poor.

9.6 Sanctions

- 9.6.1 Under its funding agreements, the GLA has the power to reclaim grant (in part or in whole) or apply interest when certain breaches are identified.
- 9.6.2 Repeated breaches and failure to show improvements over consecutive audits may result in the GLA opting to audit a larger sample of projects the following year, or a review of GLA Investment Partner status.

9.7 Templates and links

- 9.7.1 The GLA's current Compliance Audit checklists and templates can be found on the GLA's website here: <https://www.london.gov.uk/section-9-compliance-audit-templates-and-documents>. These include:
- standardised terms of engagement
 - auditor's report covering letter template
 - main audit checklist
 - main audit checklist with auditor's notes
 - main audit report template
 - SSCRf checklist
 - SSCRf checklist with auditor's notes
 - SSCRf report template.
- 9.7.2 Detailed rules and procedures for the GLA's programmes can be found in other chapters of the GLA Affordable Housing Capital Funding Guide (CFG), which can be found at www.london.gov.uk/cfg.
- 9.7.3 The GLA's website has further information on its housing investment programmes at [Housing and Land funding programmes | London City Hall](#).
- 9.7.4 More information about SSCRf can be found at <https://www.gov.uk/government/publications/social-sector-acm-cladding-remediation-fund-application-guidance>.