

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT	CERTIFICATION OF GRANT CLAIMS AND RETURNS - AUDIT COMMISSION REPORT
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR JEFF GREEN
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY


1.1 This report provides details of issues raised in the Audit Commission report relating to the 2010/11 financial year and how these have been addressed.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The audit process requires grant claim compilers to provide detailed working papers analysing and justifying the claimed expenditure which must satisfy the Auditor that this is in accordance with grant conditions. In consultation with the paying bodies, for each claim the Audit Commission produces a 'Certification Instruction', which lists a number of tests the Commission must undertake before certifying individual claims.
- 2.2 The Audit Commission undertakes limited testing on any claims submitted for claims valued between £125,000 and £500,000. For claims over £500,000, the amount of work is based upon a risk assessment related to the control environment which is undertaken by the Commission. For claims below £125,000 the Commission does not make certification arrangements.
- 2.3 In 2010/11 the Authority received ten grants which required claim forms to be submitted and audited. A separate annual audit certificate is produced for each claim and returned by the Audit Commission to the relevant grant paying body. The Audit Commission undertakes the grant audit role alongside its other duties as external auditor to the Authority.
- 2.4 The Audit Commission produces an annual report on grant claim performance. Charges to the Authority for grant claim work are on an hourly basis and in addition to charges made for non-grant work. The fees for the 2010/11 programme have reduced slightly from 2009/10 despite there being an additional claim. The estimated fee of £120,000 is analysed by claim below.

Audit Commission Report Findings

- 2.5 The Audit Commission Action Plan within the report on the 2010/11 grants (audited during 2011/12), is in a different format from past years. Recommendations are on a claim by claim basis to help direct action points towards the responsible officers. (Appendix 2 of the Audit Commission Report contains the action plan.) The audit of claims resulted in increased grant receipts for the Authority of £27,330. Below is a summary of the issues:-

Claim Title	Grant Value	Amendment		Qualified	Fee
	£	Y/N	£		
Housing and Council Tax Benefits scheme	159,135,508	Yes	27,046	Yes	52,153
National Non-Domestic Rates return	59,161,252	No	0	No	5,121
Teachers Pensions return	23,441,376	Yes	285	No	3,060
Sure Start, Early Years and Childcare Grant	15,140,605	Yes	0	Yes	9,341
Disabled Facilities Grant	1,204,000	No	0	No	1,716
Flood and Coastal Erosion Management	1,387,163	Yes	-1	Yes	14,217
Single Programme – New Brighton Phase 2	555,378	Yes	0	Yes	 10,720
Single Programme - Intensive Start Up Support Grant	398,544	Yes	0	No	
Single Programme - Wirral International Business Park	110,500	Yes	0	Yes	
Single Programme - Merseyside Waterfront Succession Prog	54,200	Yes	0	No	
Ongoing Audit Work	-	-	-	-	23,672
Total	260,588,526	Yes 8	27,330	Yes 5	120,000
		No 2		No 5	

- 2.6 The report notes that the ongoing grant claim co-ordination arrangements at the Council worked well and that actions were implemented resulting in an improvement in the quality of claims submitted for certification.

- 2.7 A number of issues were highlighted by the Audit Commission report and these are detailed in the action plan and the summary recommendations are:-

- R 1 Review the amendments required to the Housing Benefit and Council Tax Subsidy Return and consider what action can be taken.
- R 2 The Council is to liaise with HM Revenues and Customs/Teachers Pension Agency regarding inclusion or non-inclusion of Academy schools on the Councils Teachers Pensions Return.

- R 3 Robust communication links between Payroll teams should be maintained to ensure any issues regarding the Teachers Pension Return are actioned on a timely basis.
- R 4 Revisit the control environment form to include a greater level of detail.
- R 5 Revisit the arrangements in place regarding Single Programme Grants to ensure all claims are suitably documented and evidenced.
- R 6 With regards to New Brighton Phase 2, establish which assets have been adopted and how they should be recorded.
- R 7 With regards to New Brighton Phase 2, establish the nature and form of annualised income and assess how it should be recognised.
- R 8 Prepare and submit the project evaluation report regarding New Brighton Phase 2.
- R 9 Wirral International Business Park – consider accounting implications and possible risks from the substation not yet being transferred.

Response to the Report

- 2.8 The Audit Commission report is based upon grant claim audits relating to the 2010/11 financial year and actions are in place to address the issues raised with the pro-active approach to encouraging good practice being enhanced.
 - i) Review and continue to improve the quality assurance process to reduce the number of compilation errors present in claims submitted to audit; specifically in relation to regeneration claims.
 - ii) Grant co-ordination procedure manual will be reviewed and, where appropriate, updated to include new procedures. This will be circulated to all claim compilers and the responsible officers.
 - iii) Further training and support is planned to emphasise the importance of quality review at each stage of the grant process.
 - iv) Regular communication will be maintained between the grant co-ordinator and the Audit Commission.
- 2.9 In terms of qualification letters, which are produced where the Auditor wishes to raise an issue with the paying body but do not necessarily imply that there is an error with any claim, five were issued in 2010/11. Of these only three had a financial impact totalling £27,330 which compares to the value of claims in the year in excess of £260 million. In all other cases the grant paying body was satisfied with the action taken by the Council and paid out all money claimed.

2.9.1 Housing and Council Tax Benefits

The nature and scale of the regulations arising from the Department for Work and Pensions and its value make this claim complex. The qualification covered errors with the system software and reconciliation errors. Work continues with the software supplier to minimise any future reconciliation differences within reasonable costs and availability of resources.

2.9.2 Sure Start, Early Years and Childcare grant and Flood and Coastal Erosion Management

A separate report will be presented by the Commission on these two claims.

2.9.3 Single Programme – New Brighton Phase 2 Grant

This was qualified because of concerns regarding the recording of assets funded by the Single Programme. Officers are meeting to address concerns and ensure that all Single Programme funded assets are recorded in accordance with grant conditions and are clearly identifiable.

2.9.4 Single Programme – Wirral International Business Park

The qualification centred on the Council not including a substation, built using the funding, in its asset register. The substation was to be transferred to Scottish Power and was never intended to be a Council asset. Discussions with Scottish Power are ongoing and it has been confirmed that responsibility for the substation remains with the contractor until the transfer is completed.

3.0 RELEVANT RISKS

3.1 All relevant risks have been discussed within Section 2 of this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 There are no other options considered in this report.

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising out of this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 The amendments made by the Audit Commission have resulted in additional grant receipts of £27,330. The fee charged by the Audit Commission for the certification of the 2010/11 claims is estimated to be £120,000.

7.2 The asset implications relate to the recording of Single Programme funded assets on the Council asset register.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising directly out of this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly out of this report.

9.2 Equality Impact Assessment (EIA) is not required.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly out of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly out of this report.

12.0 RECOMMENDATION

12.1 That the report be noted.

13.0 REASON FOR RECOMMENDATION

13.1 To confirm that the Council has reported a response to the Audit Commission Certification of Claims and Returns 2010/11 report.

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REFERENCE MATERIAL

Certification of Claims and Returns – Audit Commission – March 2012

SUBJECT HISTORY

Council Meeting	Date
Audit and Risk Management Committee Certification of Grant Claims And Returns – Audit Commission report (2009/10)	17 January 2011
Certification of Grant Claims And Returns – Audit Commission report (2008/09)	24 March 2010