

## **WIRRAL COUNCIL**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

**24 MARCH 2010**

#### **REPORT OF THE DIRECTOR OF FINANCE**

##### **CERTIFICATION OF GRANT CLAIMS AND RETURNS - AUDIT COMMISSION REPORT**

### **1. EXECUTIVE SUMMARY**

- 1.1 This report provides Members with details of issues raised in the Audit Commission report on the certification of claims and returns relating to the 2008/09 financial year and how these issues have been addressed.

### **2. BACKGROUND**

- 2.1 In 2008/09 the Authority received eight grants which required claim forms to be submitted and audited. A significant reduction from 2007/08 with the completion of final European Regional Development Fund claims, but the complex claims remain. A separate annual audit certificate has to be produced by the Audit Commission for each claim, and returned to the relevant grant paying body. The Audit Commission undertakes this grant audit role alongside its other duties as external auditor to the Authority.
- 2.2 The audit process requires grant claim compilers to provide detailed working papers analysing and justifying any claimed expenditure. These must satisfy the auditors that any expenditure is eligible in accordance with grant conditions. The Audit Commission produces a 'Certification Instruction' for each claim, which lists a number of tests the Commission must undertake before certifying each claim.
- 2.3 The Audit Commission undertakes limited testing on claims between £100,000 and £500,000 and for claims over £500,000 the amount of work is based upon a risk assessment related to the control environment that is undertaken by the Commission.
- 2.4 The Audit Commission produces an annual report on grant claim performance with the charges to the Authority for grant claim work being on an hourly basis. These are in addition to charges made for non-grant work for the Authority.

### 3. AUDIT COMMISSION REPORT FINDINGS

3.1 The Audit Commission report on the 2008/09 grants (audited during 2009/10), reflects a different approach by the Commission. Now more detailed than previous reports this has resulted in an increase in the number of recommendations as they are now prepared on a claim by claim basis to help direct action points towards the responsible officers. (Appendix 1 of the Audit Commission Report contains the action plan.) Below is a summary table of the issues:-

Ref	Claim Title	Value £	Amends £	Qualified	Time
BEN 01	Housing & Council Tax Benefits Scheme	131,506,000	566,175	Yes	Yes
EYC 02	Sure Start & Child Care	10,168,586	0	Yes	No
HOU 21	Disabled Facilities Grant	1,219,923	0	No	Yes
LA 01	National Non Domestic Rates	58,646,816	0	No	Yes
PEN 05	Teachers Pensions	22,544,514	0	Yes	Yes
RG 34	NWDA - Mersey Waterfront Reg Park	10,914,852	0	No	No
RG 34	NWDA - Wirral Inter'l Business Park	2,128,335	31,275	Yes	No
RG 15	NWDA – Land Reclamation Grant	1,789,933	(26,233)	Yes	Yes
	Total	<b>238,918,959</b>	<b>571,217</b>	Yes 5 No 3	Yes 5 No 3

3.2 The report refers to the continuing improvements in grant claim preparation and co-ordination:-

- i) A significant improvement in submitting claims on time as three were recorded as late and two of those were through a lack of clarification by the grant paying body.
- ii) Claims were generally accompanied by a comprehensive file of working papers and requests for information were responded to well and in a timely manner.
- iii) There is good grant claim co-ordination arrangements supported by a Grant Manual and the roles and responsibilities of the Co-ordinator outlined in the manual represent good practice.

3.3 A number of concerns were highlighted by the Audit Commission report and whilst these are detailed in the action plan those of greater significance are:-

- i) The arrangements to ensure the completeness and accuracy of the information provided by external payroll providers for inclusion in the Teachers Pension Return (Recommendation R5).

- ii) The need to amend Contract Standing Orders to include specific reference to the number of tenders that the Council expects to receive prior to the award of a contract and the process to follow in instances where only a single tender is received (Recommendation R8).
- iii) The need for a written report to Cabinet to explain the contract overspend identified during the audit of the Land Reclamation Programme claim (Recommendation R9).

#### **4. RESPONSE TO THE REPORT**

4.1 The Audit Commission report is based upon grant claim audits relating to the 2008/09 financial year and actions are in place to address the issues raised as well as those in the report on 2007/08 grant claim (reported to this Committee on 18 January 2010).

- i) Ensure that the control environment for all claims and returns is robust and that this is adequately demonstrated when the claim or return is submitted for certification.
- ii) Ensure all expenditure included in the claims and returns is eligible under the terms and conditions specified by the grants paying body.
- iii) Ensure consistently strong internal quality assurance processes and co-ordination arrangements.
- iv) Ensure working papers provided are consistently of good quality and provide a clear audit trail between the amounts in the claim or return and supporting financial documentation.

4.2 In addition to the steps taken in the action plan, the Authority is continuing to take a pro-active approach to encourage good grant claim practice:

- i) The grant co-ordination procedure manual will be updated to include new procedures for 2009/10 and will be circulated to all claim compilers and their responsible officers.
- ii) Further training and support is planned to emphasise the importance of quality review at each stage of the grant process.
- iii) Regular communication will be maintained between the grant co-ordinator and the Audit Commission.

4.3 The actions taken should reduce the need for amendments in the future. However the Housing Benefit claim is large and complex and is always likely to be subject to some form of amendment and those relating to North West Development Agency grant support are frequently subject to change.

4.4 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 2008/09. The issues raised had no impact on grant entitlement as in each case the grant paying body was satisfied with the action taken by the Council and paid out all money claimed.:-

4.4.1 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 extremely complex. The qualification essentially covered validation errors which the system software was unable to reconcile. In trying to reconcile the amount paid to amount awarded, a difference of £1,645 remained.

4.4.2 Sure Start Early Years

The claim was qualified due to wrongly classifying £62,000 of expenditure as intangible assets. It was also found that the Council asset register did not include all necessary grant funded assets relating to the schemes.

4.4.3 Teachers Pensions

The qualification was made on the basis of three issues: the Council had not made satisfactory assurance in relation to deductions made for five schools; a teacher had been shown as opted out of the scheme without completing the appropriate form; and an incorrect deduction was made from a teachers salary following strike action.

4.4.4 Wirral International Business Park

The qualification was issued due to a lack of Audit trail for the decision to award the contract for the project.

4.4.5 Land Reclamation Programme (LRP)

The qualification was made on the basis of three issues in that the Council was unable to provide a detailed copy of the funding agreement; the contract overspent on the original quotation and the LRP grant contribution was deemed by the Audit Commission to be ineligible. The grant paying body has paid to the Council all money claimed.

## **5. FINANCIAL AND STAFFING IMPLICATIONS**

5.1 There are no direct financial consequences arising from this report. The total fee charged for the certification of the 2008/09 claims will be about £130,000. There may be a reduction in audit fees if a control environment can be established which is fully in line with Audit Commission guidance.

## **6. EQUAL OPPORTUNITIES IMPLICATIONS**

6.1 There are none arising directly from this report.

**7. HUMAN RIGHTS IMPLICATIONS**

7.1 There are none arising directly from this report.

**8. COMMUNITY SAFETY IMPLICATIONS**

8.1 There are no specific implications arising from this report.

**9. LOCAL MEMBERS SUPPORT IMPLICATIONS**

9.1 There are no specific implications for any Member or Ward.

**10. LOCAL AGENDA 21 IMPLICATIONS**

10.1 There are none arising directly from this report.

**11. PLANNING IMPLICATIONS**

11.1 There are none arising from this report.

**12. BACKGROUND PAPERS**

12.1 Certification of Claims and Returns – Audit Commission – March 2010.

**13. RECOMMENDATION**

13.1 That the report be noted.

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DIRECTOR OF FINANCE