

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 JANUARY 2011

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 Certification of Claims and Returns relating to the 2009/10 financial year and how these issues have been addressed.

2. BACKGROUND

2.1 In 2009/10 the Authority received nine grants which required claim forms to be submitted and audited. 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 individual claims.

2.3 The Audit Commission undertakes limited testing on any claims submitted between £100,000 and £500,000 in value. 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.

2.4 The Audit Commission produces an annual report on grant claim performance. The charge to the Authority for grant claim work is on an hourly basis which is in addition to charges made for non-grant work for the Authority.

2.5 Audit fees for the 2009/10 programme have reduced slightly despite there being one additional claim. The fee of £120,109, charged by the Audit Commission to certify the claims, can be seen on a cost per claim basis in the table included under paragraph 3.1. Supervision and liaison costing £26,296, which was not attributed to a particular claim, has been split pro-rata as a proportion of fee charged.

3. AUDIT COMMISSION REPORT FINDINGS

3.1 The Audit Commission Action Plan within the report on the 2009/10 grants (audited during 2010/11), is in a new format. Recommendations are prepared 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.) Below is a summary table of the issues:-

Claim Title	Value £	Amends £	Qualified	On Time	Audit Fee £
Housing & Council Tax Benefits Scheme	152,747,227	(10,944)	Yes	Yes	83,549
Sure Start & Child Care	12,464,488	0	Yes	Yes	10,332
Disabled Facilities Grant	960,000	0	No	Yes	3,409
National Non Domestic Rates	59,467,312	0	No	Yes	2,129
Teachers Pensions	23,124,946	0	No	Yes	3,759
NWDA - Mersey Waterfront Reg Park	10,914,852	0	No	Yes	↑ 16,931 ↓
NWDA - Wirral Inter'l Business Park	2,109,335	44,737	Yes	Yes	
NWDA - Intensive Start-up Support	1,593,863	0	No	Yes	
New Brighton Phase 2	3,901,181	0	Yes	Yes	
Total	267,283,204	33,793	Yes 4 No 5	Yes 9 No 0	120,109

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 up from 50% in 2008/09 to 100% of Claims submitted on time in 2009/10.
- ii) The number of claims requiring amendments reduced in percentage terms from 2008/09. The number of claims requiring qualification also reduced compared to 2008/09.
- iii) There are good grant claim co-ordination arrangements supported by a Grants Manual, and the roles and responsibilities of the Co-ordinator outlined in the Manual represent good practice.
- iv) The grant claim co-ordination arrangements at the Council worked well and actions were implemented resulting in an improvement in the quality of claims submitted for certification.

- 3.3 A number of issues were highlighted by the Audit Commission report which are detailed in the action plan. Those of greater significance are:-
- i) Housing and Council Tax Benefit system internal reconciliation (Recommendation 2)
 - ii) Capital expenditure funded by Sure Start, Early Years and Childcare grant should meet the definition for capitalisation as set out by the DCSF (Recommendation 3).
 - iii) Asset records in respect of all assets funded by Sure Start, Early years and Childcare grant should meet the requirements of the DCSF. (Recommendation 4)
 - iv) Decisions taken in respect of contracts awarded should be clearly documented with the evidence retained. (Recommendation 5).

4. RESPONSE TO THE REPORT

- 4.1 The Audit Commission report is based upon grant claim audits relating to the 2009/10 financial year and actions are in place to address the issues raised.
- i) Review and continue to improve the quality and assurance process to reduce the number of compilation errors present in claims submitted to audit; specifically in relation to regeneration claims.
- 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 has been updated to include new procedures for 2010/11 and has been 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.
- 4.4 In terms of qualification letters, which are produced where the auditor wishes to raise an issue with the paying body but does not necessarily imply that there is an error with any claim, four were issued in 2009/10. 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 and a difference in interpretation between the Authority and the auditors regarding application of the backdating criteria. The reconciliation differences are very small compared to the size of the claim and the Authority is satisfied with its approach to the application of backdating criteria and the amounts concerned are small in terms of the overall claim. Discussions and work will continue with the software supplier to minimise any future reconciliation differences within reasonable costs and use of resources to do so.

4.4.2 Sure Start Early Years

The claim was qualified for three reasons. Firstly, £6,500 of capital expenditure was identified that did not relate to 2009/10; Not all Quality Improvement Grant had been evidenced as being spent by providers and Audit were unable to conclude that the grant met the paying body's definition of capital expenditure. Finally, some capital expenditure included in the claim did not record the purchase price, date and current asset value.

4.4.3 NWDA Single Programme

Wirral International Business Park and New Brighton Phase 2 were qualified because expenditure included in the claim did not relate to 2009/10 and; inconsistency between the amount of approved funding stated in the claim and communication provided by NWDA

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 2009/10 claims will be about £120,000.

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 – January 2011

13. RECOMMENDATION

13.1 That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/276/10