



Plymouth City Council

Grants Report 2008-09

February 2010

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1 Executive summary

Introduction

- 1.1 The Council received nine grant claims and returns from government departments and other bodies that required external certification in 2008-09, representing income in excess of £197 million.
- 1.2 Grant Thornton, as the Council's external auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-9 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, who agree the scope of the work with each relevant government department or agency and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 A summary of all claims and returns subject to certification is provided at Appendix B, together with the certification fee and outcome of our review.
- 1.7 The key messages from our review are summarised in Exhibit one below, and set out in detail in the next section of the report.

Exhibit One: Key Messages

Aspect of certification arrangements	Action
The Council submitted all claims and returns by the required deadline, and all claims were certified within the timescales specified by the Audit Commission and government departments.	On-going liaison between the Council's grants co-ordinator and Grant Thornton will ensure continued compliance with deadlines.

Arrangements for certification:

- amounts claimed below £100,000 - no certification
- amounts claimed between £100,000 - £500,000 - agreement to underlying records
- amounts claimed over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Aspect of certification arrangements	Action
Opportunities for improvement have been identified in the Council's overall management arrangements, which can help the Council reduce the number of claims subject to amendment or qualification.	The Council can improve this performance through implementing the recommendations included at Appendix C.
Significant additional work was required to certify the Housing and Council Tax Benefit Subsidy claim due to the number of errors found.	The Council should consider enhancing its quality assurance procedures to ensure that assessment errors are detected and acted upon during the year.
The reconciliations required as part of the Housing and Council Tax Benefit Subsidy claim contained unresolved reconciling items, resulting in qualification of the claim.	The Council should ensure that the required reconciliation procedures are followed, and that any reconciling items are investigated and resolved.

The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional certification fees.
- 1.10 The new use of resources assessment in 2009 required auditors to consider the results of certification work when undertaking the Use of Resources assessment, including, in particular, the impact of housing benefit and council tax testing on data quality. The 2010 assessment will be further integrated with grant certification work, including consideration of the outcome of a wider range of grant claims.

Acknowledgements

- 1.11 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

January 2010

2 Detailed findings

Introduction

- 2.1 This section of the report summarises our detailed findings arising from the certification of grants and returns in 2008-09. Further details of the individual grants that have been certified are provided at Appendix B and the Action Plan at Appendix C sets out our recommendations and improvement opportunities arising from the certification of individual grants.

Performance against targets

- 2.2 Exhibit two summarises the Council's performance against key certification performance targets for the nine claims and returns submitted for certification in 2008-09 compared to the ten claims and returns in 2007-08.

Exhibit two: Performance against key certification targets

Performance measure	Target	Achievement in 2008-09		Achievement in 2007-08		Direction of travel
		No.	%	No.	%	
Number of claims submitted on time	100%	9	100%	8	80%	↑
Number of claims certified on time *	100%	9	100%	8	80%	↑
Number of claims amended by the auditor	0%	6	67%	2	20%	↓
Number of claims qualified by the auditor	0%	3	33%	2	20%	↓

* The certification deadline is that prescribed by the grant paying body as advised by the Audit Commission, or if a claim is received after the submission deadline, within three months of receipt.

- 2.3 This analysis of performance against targets shows that:
- the Council's arrangements to ensure that claims are submitted for certification by the required deadline are working effectively, with all claims submitted on time.
 - all claims were certified by the deadline agreed by the Government department, including the processing of amendments; and
 - there has been an increase in the number of claims requiring amendment or qualification, resulting in an increase in the time required by both officers and the audit team to certify the claims.

2.4 We charged a total fee of £54,165 against a budget of £100,000 for the certification of claims and returns in 2008-09. The actual fee charged is significantly lower than planned as the fee set out in the Audit & Inspection Plan, was issued before the 2007-08 certification work was undertaken and therefore based on the expected costs to be incurred. Since then:

- there has been a significant change in the certification approach to housing and council tax benefit. In 2007-08 the Audit Commission introduced a series of workbooks to make the certification and data recording for this claim consistent for all council's in England; and
- there has been a reduction in the number of claims requiring certification. In addition, a number of claims are now no longer applicable to the Council.

Details of fees charged for specific claims are included at Appendix B.

Management arrangements

2.5 Good arrangements are required for successful management of the certification of grant claims and returns. The results of our review of aspects of the management arrangements in place are set out below. Associated recommendations for improvement are included at Appendix C.

Grants co-ordination

2.6 As noted in exhibit two above, the Council provided Grant Thornton with all claims and returns by the required deadline, highlighting the effectiveness of the grants co-ordinator in managing the submission process.

Sign off arrangements

2.9 Claims and returns are signed by a number of different staff across the Council. The Council should ensure a letter, signed by the responsible finance officer, is available to confirm which officers have delegated authority to sign grant claims.

Independent review

2.8 There is limited evidence of independent review on the majority of claims submitted for certification. Independent review can identify errors that may otherwise result in an adjustment or qualification as a result of our work.

2.9 Each claim form and its associated working papers should be subject to independent review prior to submission for certification, evidenced by a signature and date.

Significant findings in relation to individual claims and returns

2.10 A summary of all claims and returns we have certified is attached at Appendix B, together with the certification fee and outcome of our review.

2.11 Of the claims and returns submitted for certification the most significant findings were in relation to the following claims:

- Housing and Council Tax Benefit Subsidy claim and
- Sure Start, Early Years and Childcare grant.

2.12 Recommendations for improvement are included at Appendix C.

Housing and Council Tax Benefit Subsidy claim

- 2.13 Our certification work included a review of 70 individual claims, which identified errors in the assessment of 12 cases. We were required to extend our sample, which resulted in significant additional officer and auditor time. As the errors could not be quantified, the claim required qualification. This issue was reported to the Department for Work and Pensions.
- 2.14 The Council should consider carrying out additional routine testing to ensure that errors in the assessment of claims are detected throughout the year and provide additional training on areas of concern. This will reduce the number of incorrect assessments and the number of overpayments made.
- 2.15 Reconciliations are provided by Academy and the Department to prove the integrity of the data in the subsidy claim form. Both of these reconciliations were reviewed as part of our certification work, and unresolved reconciling items were identified in both the Academy reconciliation pack and the in-year reconciliation cells on the claim form, resulting in qualification of the claim. This issue was reported to the Department for Work and Pensions.
- 2.16 The Council should ensure that the required reconciliation procedures are followed, and that any non reconciling items are investigated and resolved.
- 2.17 Benefits assessors use the customer information system (CIS) operated by the Department for Work and Pensions to confirm the entitlement of claimants to benefits such as income support and incapacity benefit. However, the Council did not retain screen prints from this system and claimants' entitlement could not therefore, be confirmed during our certification work.

Sure Start, Early Years and Childcare grant

- 2.18 The Council is required to maintain a register of the assets funded by this scheme. Although the Council has included such assets on the corporate fixed asset register, they are not separately identifiable as assets funded by the Sure Start scheme. This issue required reporting to the Department for Education and Skills.
- 2.19 The Council is currently working on the development of a corporate register of grant funded assets, which will resolve this issue. The Council should ensure that this is progressed and that a register is implemented as soon as practically possible.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £100,000 - no certification required;
- for amounts claimed above £100,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council; and
- for amounts claimed over £500,000 - certifying that the claim agrees to underlying records of the Council and an assessment of the control environment. Where reliance is not placed on the control environment, detailed testing is performed.

Roles and responsibilities

The following table sets out the roles and responsibilities of the parties involved in the certification of claims and returns.

Party	Role and responsibility
Grant paying body	Sets grant conditions and the deadlines for submission of the pre-certificated and certified claim
Audit Commission	Issues certification instructions
Council	Submits claims and returns to the Appointed Auditor within grant paying body submission deadlines. Ensures adequate documentation is maintained to support compilation of claims and returns.
Appointed Auditor	Certifies claims in accordance with Audit Commission instructions and within certification deadlines.

Scope

We assess the Council's arrangements for submission of grant claims for certification. We do not review the Council's wider arrangements for managing external funding or maximising its entitlement to external funding.

B Details of claims and returns certified in 2008-09

Ref	Claim	Claim value (£)	Amended? Y/N	Amendment value (£)	Qualified?	Budgeted fee (£)	Actual fee (£)
BEN01	Housing and Council Tax Benefit Subsidy	83,906,142	Y	5,601	Y	-	25,693
CFB06	Pooling of Housing Capital Receipts	962,804	Y	25	N	-	2,333
EYC02	Sure Start, Early Years and Childcare Grant	8,979,641	Y	0 *	Y	-	4,665
HOU01	Housing Revenue Account Subsidy	2,022,762	Y	0 *	N	-	3,095
HOU02	Housing Revenue Account Subsidy Base Data Return	Non-Financial	Y	0 **	Y	-	3,583
HOU21	Disabled Facilities Grant	511,000	N	N/A	N	-	2,303
LA01	Nation Non-Domestic Rates Return	75,470,386	N	N/A	N	-	4,050
PEN05	Teachers' Pensions Return	16,184,669	N	N/A	N	-	1,470
RG03	New Deal for Communities	9,120,919	Y	-71,919	N	-	6,975
TOTAL		197,158,323		-66,293		100,000	54,165

* Amendment to claim did not affect amount of funding received.

** Note that HOU02 includes non-financial cells, two of which were amended.

Action plan

Ref	Claim	Recommendation	Priority	Management response and implementation details
	All claims	The Council should ensure a letter, signed by the responsible finance officer, is available to confirm which officers have delegated authority to sign grant claims.	Low	<p>A letter will be drawn up and made available to Grant Thornton as per the recommendation.</p> <p>Responsible Officer : Director for Corporate Support</p> <p>Implementation Date : March 2010</p>
	All claims	Each claim form and its associated working papers should be subject to independent review prior to submission for certification, evidenced by a signature and date.	Medium	<p>Each of the claim forms passed for audit are subject to independent review by the relevant finance lead for that area. Each officer will be asked to sign and date the forms on review. Corporate Grants Co-ordinator to liaise with each finance lead / Departmental Grant Co-ordinators to ensure that this is happening consistently, and provide further spot checks where necessary.</p> <p>Responsible Officer : Corporate Grants Co-ordinator</p> <p>Implementation Date : 2010/2011 Financial Year</p>

Ref	Claim	Recommendation	Priority	Management response and implementation details
BEN01	Housing and Council Tax Benefit Subsidy claim	The Council should consider carrying out additional routine testing to ensure that claim assessment errors are detected and provide training on areas of concern.	High	<p>Due to the increased level of errors identified during this audit, a significant amount of work has already gone into drawing up an action plan to improve the testing process. The new process will allow errors to be captured in a more effective way, so as to learn from them and be able to provide a better training programme to staff assessing claims. This will, in turn, reduce the recurrence of such errors. [A copy of the Action Plan is attached.]</p> <p>Responsible Officer : Revenues & Benefits Service Manager</p> <p>Implementation Date : April 2010</p>

Ref	Claim	Recommendation	Priority	Management response and implementation details
BEN01	Housing and Council Tax Benefit Subsidy claim	The Council should ensure that the required reconciliation procedures are followed, and that any reconciling items are investigated and resolved.	High	<p>It is evident that a substantial amount of reconciliations are taking place on a monthly basis, and are further backed up by regular spot checking through Internal Audit. Current issues do exist with the Academy System, which can result in minor errors in the reconciliations, particularly when new releases of the system are introduced (currently on the 12th release in 3 years) Due to the complexities of the system and the Claim feeding from it, it is problematic to amend these variances manually, and DWP have been consulted on the potential impact of these minor variations. A response from DWP is currently awaited.</p> <p>In the meantime, it has been advised that the Revenues and Benefits Service Manager liaise further with Academy or seek advice from a suitably qualified external consultant, on the recurring issues to help prevent them being an issue for future years. It has also been agreed that other Local Authorities should be approached to discuss such issues and share best practice where possible.</p> <p>Responsible officer: R&B Serv. Mgr Implementation date: asap</p>

Ref	Claim	Recommendation	Priority	Management response and implementation details
BEN01	Housing and Council Tax Benefit Subsidy claim	The Council should retain screen prints from CIS to support the benefits assessments made.	Medium	<p>Screen prints are not retained at present, due to Data Protection Issues around additional information appearing on CIS, considered being over and above the information required to process the claim. The Revenues & Benefits Services Manager has agreed to liaise with DWP to see whether it is possible to obtain permission to retain such information in the future, as this produces further Data Protection issues for us as an authority, because of the wider information being held in our systems on individuals. This issue requires further discussion and possibly advice from Grant Thornton, as to how this could be handled differently if DWP do not agree to this.</p> <p>Responsible officer: R&B Serv. Mgr Implementation date: tic</p>

Ref	Claim	Recommendation	Priority	Management response and implementation details
EYC02	Sure Start, Early Years and Childcare grant	The Council should ensure that the introduction of the grant funded asset register is implemented as soon as practically possible.	Medium	<p>The Council is currently aware of this issue and is planning a full review of the Asset Register, to identify grant funded assets and consequently conditions etc attached to them. In the interim the Corporate Grants Register identifies all grants coming into the authority, with flags for those with grant conditions i.e. claw back, attached them. Each of these grants is given a unique reference and it is planned to use this reference as a link when reviewing the Asset Register.</p> <p>Responsible Officer: Group Accountant (Corporate – Partnerships).</p> <p>Work scheduled to be completed during 2010/2011.</p>



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