



Exeter City Council

Grants Report 2008-09

January 2010

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1 Executive summary

Introduction

- 1.1 The Council received six grant claims and returns from government departments and other bodies requiring external certification in 2008-09, representing income in excess of £99 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 6-12 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, supported by some key performance measures, 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, which agrees 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 has continued to improve the accuracy of claims and returns presented for certification, resulting in a reduction in the number of claims requiring amendment.	Ensure that all claims and supporting working papers are subject to review by another officer to further improve their accuracy.

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
One claim was submitted for certification by the Council one week after the required deadline. A second claim was completed and issued to the Government department by the deadline, however, a signed copy was not provided to ourselves for certification until after the deadline.	Submission deadlines should be monitored and signed originals of claims should be sent to the relevant government department and ourselves in line with the prescribed timescales.
Work is currently underway to consolidate housing stock information onto the Academy system. Should this not be completed in advance of the 2011-12 return (due to be certified in September 2010) then a reconciliation between the two current systems should be prepared.	Reconciliation to be prepared if required.

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 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 the main issues 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 six claims and returns submitted for certification in both 2007-08 and 2008-09:

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%	4	67%	6	100%	↓
Number of claims certified on time *	100%	6	100%	6	100%	-
Number of claims amended by the auditor	0%	2	33%	3	50%	↑
Number of claims qualified by the auditor	0%	0	0%	0	0%	-

* 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 has continued to improve the accuracy of the claims and returns that it prepares, resulting in a reduction in the number of claims requiring amendment in 2008-09; and
 - two claims were provided for certification after the deadline set by the relevant department. One of these claims was prepared and issued to the Government department by the deadline, but a signed copy was not provided to us, for certification, until after the deadline.

- 2.4 We charged a total fee of £24,178 for the certification of claims and returns in 2008-09 compared to a fee of £22,181 in 2007-08. This relates to an increase in fees charged for our certification of the housing and council tax benefits return which in 2007-08, were partly subsidised through our main audit fee in relation to our data quality work. Details of fees charged for specific claims are included within 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. The associated recommendation for improvement is included at Appendix C.

Independent review

- 2.6 At present, not all claims and returns submitted for certification, and the working papers that support them, are evidenced as subject to review by another officer. By ensuring that claims are reviewed by another member of staff, the Council can continue its progress in improving the accuracy of the entries made and reducing the number of claims requiring amendment as a result of our certification work.

Significant findings in relation to individual claims and returns

- 2.7 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.
- 2.8 Of the claims and returns submitted for certification our only significant finding was in relation to the Housing Revenue Account Subsidy Base Data return. We have identified three recommendations for improvement is included in Appendix C to improve both overall and specific arrangements.
- 2.9 Following the amendments made to this claim in 2007-08, the Council is continuing to make progress in improving the accuracy of the information held on the construction of its housing stock.
- 2.10 We are aware of the work being done to consolidate the data currently held on two separate systems onto its Academy system and encourage the Council to ensure this is completed for the 2011-12 return (due to be certified in September 2010), or to ensure that a full reconciliation is available between the two current systems.

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?	2007-08 Actual fee (£)	2008-09 Actual fee (£)
BEN01	Housing and Council Tax Benefits Scheme	34,401,669	N	N/A	N	10,105	13,060
CFB06	Pooling of Housing Capital Receipts	400,869	N	N/A	N	1,355	1,163
HOU01	Housing Revenue Account Subsidy	4,415,766	Y	N/A *	N	2,678	2,030
HOU02	Housing Revenue Account Subsidy Base Data Return	Non-Financial	Y	N/A *	N	3,805	3,595
HOU21	Disabled Facilities	331,000	N	N/A	N	510	565
LA01	National Non-Domestic Rates Return	59,531,326	N	N/A	N	3,728	3,765
TOTAL		99,080,630				22,181	24,178

* Note that the amendments to both the HOU01 and HOU02 claims changed only the number of dwellings, therefore were non-financial adjustments.

C Action plan

Ref	Claim	Recommendation	Priority	Management response and implementation details
	All	The Council should monitor submission deadlines and ensure that original signed claims are received by Grant Thornton by the required deadline	Medium	Agreed. The Finance Manager will maintain a grant timetable showing submission dates etc.
	All	The Council should ensure that when claims and their associated working papers are reviewed by another officer in advance of submission, that this is properly evidenced by signature as appropriate.	Medium	Agreed. All grant claims including relevant working papers will be reviewed and properly evidenced by signature before submission.
HOU02	Housing Revenue Account Subsidy Base Data Return	The Council should aim to complete the consolidation of data on its housing stock on its Academy system in advance of the 2011-12 return, or if this is not achievable, ensure that a full reconciliation is available between the two current systems.	Low	Completed – Housing Department has confirmed that this data is now available on the Academy system.



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