

AGENDA ITEM: 10

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Meeting	Audit Committee
Date	20 March 2007
Subject	External Audit Report on Grants Submission Process
Report of	Deputy Director for Resources & Chief Finance Officer
Summary	To consider the report from the external auditor on matters arising from the certification of the Council's grant claims.

Officer Contributors	Jonathan Bunt, Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Grants Report (February 2007)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Jonathan Bunt, Head of Strategic Finance on 020 8359 7249

1. RECOMMENDATIONS

- 1.1 That the matters raised by the external auditor relating to the grants submission and certification process be noted.**
- 1.2 That the officer response to the matters raised by the external auditors be noted.**
- 1.3 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 5 December 2006 (External Audit Report on Grants Submission Process)

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan includes an objective for a 'strong and supportive governance framework' within 'A Better Council for a Better Barnet'.

4. RISK MANAGEMENT ISSUES

- 4.1 Failure to have a robust process for the collation and submission of grant claims can place the receipt of external funding, which the Council is entitled to and has budgeted for, at risk.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is essential that the Council meets all requirements in securing grants so as to secure funding for services which benefit the whole community.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 The grants submission process is the final stage in the process for receiving external funds from third parties. As noted above, where there are weaknesses in the systems for monitoring and claiming these monies, these funds are potentially at risk.
- 6.2 There are no specific staffing, ICT or property implications.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to consider specific reports as agreed with the external auditor".

9. BACKGROUND INFORMATION

- 9.1 The Council receives substantial funds from external bodies that are used to support the delivery of its services. As part of the process of receiving these funds, the Council is required to submit periodic returns to the grant paying bodies which detail how the Council has utilised the monies received.
- 9.2 Under Audit Commission guidance, to provide assurance to the grant paying bodies, the Council's external auditor, RSM Robson Rhodes LLP, reviews and certifies all claims in excess of £50,000 after verifying that all the expenditure incurred by the Council qualifies under the terms of the grant.
- 9.3 In 2005/06 there were 20 claims certified that valued over £165 million.

	Financial Year 2003-04	Financial Year 2004-05	Financial Year 2005-06
Number of claims certified	42	23	20
Value of claims certified	£251,699,000	£156,236,669	£165,235,976

- 9.4 There were seven claims that were submitted late to the auditor in 2005/06 (seven in 2004/05) and there were five claims that were qualified (five in 2004/05). All of the claims that were qualified were due to either historic system issues (which the auditors have commented as potentially not cost effective to remedy) or a technicality in the certification instructions issued to auditors by the Audit Commission. The majority of the qualifications were largely out of the control of the Council and there was an improvement in the number of claims amended (8 claims in 2005/06 compared to 13 in 2004/05). Four of the amendments would be considered to be 'trifling' errors if they were to be viewed in an accounts and audit context.
- 9.5 All claims bar four (Housing Benefits, Housing Subsidy, Staff related inherited liabilities, Sure Start Local Programmes) were certified within the certification deadline. The Housing Subsidy claim was only delayed due to its relationship with Housing Benefits.
- 9.6 The table below summarises performance in 2005-06 against best practice targets:

Performance Target	Best Practice Target	Performance in 2003-4	Performance in 2004-05	Performance in 2005-06
Claims submitted on time	100%	40%	70%	65%
Claims amended	0%	45%	57%	44%
Claims qualified	0%	19%	22%	25%
Net (over) under spend	£000	£10,000	£8,000	-£10,000
Certified within deadline	100%	100%	100%	80%

- 9.7 Although the percentage for claims submitted late and those that were qualified have moved negatively against performance targets it should be noted that this has been due to the decrease in claims requiring certification, whilst the actual numbers are the same as 2004-05.

- 9.8 It should be noted that 2005-06 was a transition year with a changeover from LAFIS to SAP as part of the Modernising Core Systems (MCS) program. Improvements are expected in 2006-07, which will be the first full year of SAP, as a result of the improved controls and processes implemented.
- 9.9 The grant fee for 2005-06 was approximately £95,000, an increase in fees payable of £10,000. In the cases of the most significant increase in fees these claims were subject to delay as a result of information not being ready for the auditor and a number of amendments and other potential areas of qualification.
- 9.10 The Audit Commission have proposed to further reduce the burden on local authorities by increasing the de minimus and threshold limits which determine the level and scope of work required of auditors. They will no longer be required to perform any certification work on claims and returns under £100,000.
- 9.11 Appendix A is the report of the external auditor and incorporates the actions agreed by officers to the issues raised.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM

CFO: JB

APPENDIX A

London Borough of Barnet

Grants Report

February 2007

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1 Executive Summary

Scope

- 1.1 RSM Robson Rhodes as the Council's auditors and acting as agents of the Audit Commission are required to certify the claims and returns 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. This report summarises our overall assessment of the Council's management arrangements in respect of the final part of this process, however, does not cover grant bidding and administration arrangements.

Background

- 1.2 The Council received 20 grants requiring certification from Government Departments and other bodies in 2005 -06, representing income for the Council in excess of £165 million; this is highlighted below with a comparison to the 2003 -04 and 2004 -05 financial years:

Table One: Number and value of certified claims

	Financial Year 2003 -04	Financial Year 2004 -05	Financial Year 2005 -06
Number of claims certified	42	23	20
Value of claims certified	251,699,000	156,236,669	165,235,976

Overall conclusion

- 1.3 There have been some improvements in the quality of claims and returns submitted for certification, despite a change of accounting system part way through the 2005/06 financial year. However, there is scope for the Council to improve further in this area, particularly in respect of timely submission of claims and returns. More details have been included in section three and recommendations raised to help the Council achieve this in Appendix A.
- 1.4 We would note that we only presented our 2004/05 claims report to the Audit Committee December 2006 and the Council has had relatively little time to address some of the issues raised in that report. The action plan at the end of this report takes on board all the outstanding recommendations as appropriate. Overall its worth noting that there has been an improvement in quality and a major reduction in audit fees since we first certified grants at Barnet in 2002/03.
- 1.5 There were seven claims that were submitted late to the auditor in 2005/06 (seven in 2004/05). There were five claims that were qualified in 2005/06 (five in 2004/05). All of these claims were qualified due to

- either historic system issues or a technicality in the certification instructions issued to auditors by the Audit Commission.
- 1.6 Details of which claims were qualified and the reasons for them are noted in Section Three and Appendix B.
- 1.7 It should be noted that the majority these qualifications are largely out of the control of the Council. Also, it has to be considered in the context that certification requirements now only apply to the larger and more complex claims where the risk of error is higher.
- 1.8 Amendments were noted for eight claims in 2005/06 (13 in 2004/05). A list of the values of amendments has been included in Appendix C, where it is noted that the amendments for four of these eight claims, would be considered to be 'trifling' errors in an accounts audit context. The financial impact of the housing subsidy base data return ('HOU02') and housing revenue account subsidy ('HOU01') cannot be quantified once certified, but the Department for Communities and Local Government would calculate the financial impact on the Council.
- 1.9 There were more significant amendments arising from the National non-domestic rates claim ('LA01') as a result of a miscalculation of the losses on collection, and the Teachers Pensions Return ('PEN05'). There were a number of amendments on the PEN05 return, the most significant of which was payment of arrears being included on the return, which was not permitted by the Audit Commission certification instruction.
- 1.10 Overall the grant fee for 2005/06 was approximately £95,000, with a further two claims and returns to be billed. This represents an increase in fees payable of £10,000 based on comparative information for last year. The most significant increases have been in Housing and Council Tax Benefits subsidy ('BEN01'), Housing Subsidy Base Data Return ('HOU02') and Teachers Pensions returns ('PEN05'). In all cases the certification of these claims were subject to delay as a result of information not being ready for the auditor and a number of amendments and other potential areas of qualification, which required more manager and appointed auditor time to resolve. These discussions resulted in delays to the certification of the Housing Benefits and Housing Subsidy claim but resolution of these issues meant that there was no financial impact on the certified claims.
- 1.11 The table below summarises performance in 2005-06 against best practice targets:

Table Two: Performance against best practice targets

Performance Target	Best Practice Target	Performance in 2003-04	Performance in 2004-05	Performance in 2005-06
Claims sub on time	100%	40%	70%	65%
Claims amended (Note 1)	0%	45%	57%	44%
Claims qualified (Note 1)	0%	19%	22%	25%
Net (over) under spend	£000	£10,000	£8,000	£-10,000
Certified within Audit Commission deadline	100%	100%	100%	80%

Performance Target	Best Practice Target	Performance in 2003-04	Performance in 2004-05	Performance in 2005-06
(Note 2)				

Note 1: Figures for claims amended and qualified exclude the two claims to be completed.

Note 2: Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

1.12 The overall performance shown in table two identifies that the Council still has some work to do in respect of back end grant procedures and that further work is required to achieve the best practice seen in some higher performing councils in this area. We do however, recognise that some of these targets may be very challenging to achieve. To help the Council achieve this we have raised a number of recommendations in Appendix A.

1.13 The challenges presented by the above performance are likely to be further complicated by the impact of the following in the short term:

- Staffing changes within the accounts department which have had an impact on the number of claims and returns;
- Due to the Council achieving a '3 star' rating in the latest corporate assessment the amount of claims and returns that are required to be certified may fall for 2006-07; and
- Audit Commission changes in the de minimus and threshold limits for grant claims and returns as further explained in section four below.

Acknowledgements

1.14 We would like to take this opportunity to thank the Chief Finance Officer and his team for their help and support during the course of the certification process.

RSM Robson Rhodes LLP

February 2007

2 Approach and context

Introduction

- 2.1 In carrying out work in relation to government grant claims and other returns, RSM Robson Rhodes as the Council's Appointed Auditor are acting as agents of the Audit Commission, on behalf of the grant paying body.
- 2.2 The work that we are required to undertake in respect of each claim is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussions with the grant paying body. Each Certification Instruction details a programme of work which we are required to follow, this programme of work is split into two areas, firstly an overall risk assessment of the control environment in place for the particular claim or return in question and then a series of specific detailed tests.
- 2.3 Following the introduction of the Audit Commissions think piece entitled 'Reducing the Burden' the risk assessment of the overall control environment (referred to above) is clearly linked with the resulting volume of specific detailed tests, which we are required to perform on all claims and returns with eligible expenditure over £100,000.
- 2.4 We are no longer required (nor are we able to) perform any certification work on claims and returns under £50,000 and are required to perform only minimal procedures on those between £50,000 and £100,000.
- 2.5 For those claims and returns where a risk assessment is required we consider (amongst others) the following factors:
- The size and complexity of the claim and the relevance of each test to transactions at the Council;
 - The history of the claim at the Council and whether there had been any significant issues or concerns;
 - The quality of working papers produced by the Council to support entries on the claim; and
 - The extent to which Internal Audit has been used to verify entries in the claim and the extent to which we are able to rely on that work.
- 2.6 Where little or no reliance can be placed on the control environment then we would undertake detailed testing on each grant claim. For grant claims where reliance can be placed on the control environment then less detailed testing can be undertaken. This level of testing would be consistent with testing undertaken on claims between £50,000 and £100,000, and is very much a 'light touch' approach.
- 2.7 There are clearly fee implications for the Council under 'Reducing the Burden' as smaller fees would be expected on those claims and returns where we are satisfied that the Council can demonstrate a strong control environment.

- 2.8 'Reducing the burden' has not yet had an impact on fees in 2005-06, due to the control weaknesses noted elsewhere in this report. We would have expected a reduction in fees as a result of 'Reducing the burden', especially as central government departments are less inclined to issue a certification requirement on some smaller claims and returns, which has resulted in a smaller number of claims and returns being certified.

Roles and Responsibilities

- 2.9 The following table briefly details the roles and responsibilities of the parties involved in the certification of claims and returns:

Table three: Summary of respective roles and responsibilities

Party	Roles & Responsibilities
Audit Commission	Issue instructions for audit verification and sets deadlines for submission and certification.
Appointed Auditor	Certify claims submitted in accordance with Audit Commission Instructions and within certification deadlines.
Council	Submit claims for certification to the Appointed Auditors within Audit Commission submission deadlines.

Scope

- 2.10 The scope of this report covers our assessment of the Council's arrangements for the submission of grant claims for audit purposes. It has not covered the overall arrangements put in place by the Council to:
- Ensure that it makes a claim for every area of eligible expenditure;
 - Maximise grant income received;
 - Commit resources to manage the grant income cash-flow in an effective manner; and
 - Performance manage both internal staff and third parties charged with these responsibilities.

3 Summary of findings

Grants history at the Council

- 3.1 The value and volume of claims at the Council is historically large reflecting the range of grant receiving services provided by the Council. The most significant claims are:
- Housing & Council Tax Benefits Scheme;
 - Housing subsidy claims and returns; and
 - National Non-domestic Rates.
- 3.2 Based on our previous certification work and Audit Commission notifications we were able to accurately identify the grant claims and returns requiring certification in 2005–06. We identified a total of 20 grant claims and returns to be certified.

Internal Audit

- 3.3 Historically, the Annual Audit Plan issued by Internal Audit has not specifically covered the grant scheme process. As a result, we planned to place no direct reliance on the work of Internal Audit.
- 3.4 Any arrangements between Internal Audit and ourselves with regards to certification work going forward would need to be built into our 2006-07 Grants Plan and we will revisit this after the completion of the 2005 -06 certification process.

Performance in 2005-06

- 3.5 Overall, the Council's arrangements for the timely and accurate submission of grant claims leaves some room for improvement, however, considering that the Council changed financial systems part way through the 2005/06 financial year, the Council's performance against key best practice targets has not significantly deteriorated, and in some areas, has improved. The table overleaf summarises performance against best practice targets:

Table four: Comparison of performance in 2005-06 with previous years

Performance Target	Best Practice Target	Performance in 2003-04	Performance in 2004-05	Performance in 2005-06
Claims sub on time	100%	40%	70%	65%
Claims amended (Note 1)	0%	45%	57%	44%
Claims qualified (Note 1)	0%	19%	22%	25%
Net (over) under spend	£000	£10,000	£8,000	£-10,000
Certified within Audit Commission deadline (Note 2)	100%	100%	100%	80%

Note 1: Figures for claims amended and qualified exclude the two claims to be completed.

Note 2: Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

3.6 Managing the grant claims and returns process presents a significant challenge for all large authorities due to the volume and diversity of both the claims themselves and also the officers involved in the administration of the process. It is therefore relatively difficult for any authorities to meet all the best practice targets in this area.

3.7 The Council has shown improvement in a number of areas. The areas where further improvement should be made are in the accuracy and timeliness of claims being submitted for certification.

3.8 Taking each target in turn:

- **Claims submitted on time:** The Council has scope for improvement in submitting grant claims and returns on time to the auditors, as 65% of all claims and returns were submitted to the auditor on time. There is a risk of late certification should grant claims and returns not be submitted on time to the auditor. Late certification can lead to the grant paying body withholding or withdrawing funding. An analysis of which claims and returns were submitted on time is given in Appendix B to this report;
- **Claims amended:** Grant claims and returns are amended as and when errors or omissions are found during the course of the certification process. Although some minor human errors are inevitable whilst compiling claims and returns, and that the Council has improved its performance in this area, we would expect to have to amend less than 44% of claims and returns. However, we do accept that a number of these amendments were minor in value, however there were significant amendments arising from the National non-domestic rates claim ('LA01') as a result of a miscalculation of the losses on collection, and the Teachers Pensions Return ('PEN05'). There were a number of amendments on the PEN05 return, the most significant of which was payment of arrears being included on the return, which was not permitted by the Audit Commission certification

instruction. An analysis of the other claims and returns that were amended is given in Appendix C to this report;

- **Claims qualified:** We note that we qualified five grant claims and returns in 2005-06. We are required to qualify whenever we feel that based on the certification work which we have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that we are not satisfied that the claim or return is actually correct. Government departments are entitled to either withhold or withdraw payment to the Council of any monies which they feel, based on our qualification letters, are not adequately supported. Firstly, the Teachers Pay grant claim ('EDU29') was qualified as a result of a historic weakness in the ability of the Council to check externally provided payroll data. This claim has been qualified every year that we have been auditors of the Council for this same reason, as external payroll providers do not provide corroborative data for fear of breaching the Data Protection Act 1998. Secondly, the housing subsidy base data return ('HOU02') was qualified for three reasons. These were a lack of information on HRA premiums, which was subsequently provided and verified, differences noted in testing of classification of dwelling archetypes and a historic qualification issue as a result of the certification instruction definition of long term leases, whereas the Council has a continual rolling six monthly lease for HRA properties rented from Transport for London. Thirdly, the National Non-Domestic Rates Return ('LA01') was qualified as a result of Audit Commission direction, which meant that all LA01 returns were qualified. Finally, the Teachers Pensions return ('PEN05') was qualified due to a weakness in the control to check contributions from part time and supply teachers; Housing Benefits (BEN01) was qualified in some relatively minor respects related rent officer referrals and extended payments.
- **Total of net fee over-runs:** Even with the introduction of the Audit Commission's 'Reducing the Burden' think piece, grant certification remains a significant element of the Council's non-code Audit and Inspection fee. Overall the grant fee for 2005/06 was approximately £95,000, with a further two claims and returns to be billed. This represents an increase in fees payable of £10,000 based on comparative information for last year. The most significant increases have been in Housing and Council Tax Benefits subsidy ('BEN01'), Housing Subsidy Base Data Return ('HOU02') and Teachers Pensions returns ('PEN05'). In all cases the certification of these claims were subject to delay as a result of information not being ready for the auditor and a vast number of amendments and potential qualification issue, which required more manager and appointed auditor time to resolve. Appendix D to this report shows details of fees for grants and returns certified for 2005/06 and the equivalent grants billed in 2004/05.
- **Certified within the Audit Commission's deadline:** As the Council's auditors we are required to certify all claims and returns within 12 weeks of receipt of both the claim and a full set of supporting working papers. We are also required to report to the Audit Commission the reasons behind any claims and returns being certified past the statutory deadlines. It should be noted that it is the Council's responsibility to ensure that all statutory deadlines are met. This year we were able to certify all schemes bar four, being Housing Benefits ("BEN01") and Housing Subsidy (HOU1)(the latter only being delayed because of its direct relationship with the former) Staff related inherited liabilities ('PEN04') Sure Start Local Programmes ('EYC08') within the certification deadline

3.9 To summarise, the most significant issues arising from our review are:

- Improvements made in respect of the timely submission of claims and returns;
- A reduction in the number of claims being amended and qualified. It was noted that qualifications have largely arisen as a result of technicalities of the certification instruction, or through historic system weaknesses, which appear not to be cost effective to remedy; and
- Significant over runs have been noted on a small number of claims and returns as well as two claims and returns, still to be finalised.

3.10 Recommendations have been made in Appendix A, to help the Council to improve the accuracy of grant claims and returns submitted for certification.

Wider implications and the way forward

3.11 Amendments made to claims and returns can lead to repayment of funds to grant paying bodies, and perhaps reduced entitlement to grant funding in future years. Therefore, we would recommend that the Council take steps to reduce the number of amended claims in future years.

3.12 This report has only covered the 'back-end' arrangements in respect of grant claims but weaknesses in this part of the process are often indicative of structural weaknesses from the beginning of the grant claims process. Although there are a limited number and value of grant claim funding eligible for district councils the following are areas where the Council may consider looking at:

- Claims are made for every area of eligible expenditure (subject of course to compliance with Council priorities and duties);
- Resources are committed to manage the grant income and cash-flow in an effective manner; and
- Suitable performance management arrangements are in place for both internal staff and third parties, charged with these responsibilities. We would stress that it is the Council's responsibility to ensure that third parties charged with management of grant funding comply with the conditions of the grant.

3.13 In section four we have provided details of the Audit Commission's proposed arrangements, which should lead to a reduced amount of grants and returns being certified, and a reduced fee paid for certifying grant claims and returns.

Modernising Core Systems

3.14 We noted that the go-live date of the SAP system is part way through the 2005-06 financial year, and therefore the risks around ensuring the complete and accurate transfer of all relevant data are increased. However we have completed the audit of the 2005 -06 Statement of Accounts, and issued an unqualified opinion on these accounts. Our work to date on the 2005 -06 grant claims and return certification process does not suggest that there are major concerns arising out of the change of system on this process.

Staff Changes

- 3.15 Firstly, we have been informed that Ade Olagbaju is to be the lead audit contact for grant claims and returns in 2006/07. We are pleased to note that the Council has implemented our recommendation in the 2004/05 grants report to appoint a grants co-ordinator. The grants co-ordinator has been in contact with the audit manager for grants to obtain copies of auditor certification instructions and we hope that a successful partnership can be made with the grants co-ordinator to improve performance against best practice targets.
- 3.16 Secondly, we noted that in 2005-06 there has been changes in the finance contacts for a variety of grant claims and returns. This does increase the risk of error and delay in the certification process due to there being different people involved in the preparation of the claims and returns and the certification of those claims and returns. This is an unavoidable consequence of the re-organisation that the Council has undertaken. However, we would note that the period after the 2005 -06 certification process would be an appropriate opportunity for training to be provided to officers with responsibility for certifying grant claims and returns.

4 Changes to grant certification arrangements in 2006-07

- 4.1 The Audit Commission have proposed to further reduce the burden on local authorities by increasing the de minimus and threshold limits which determine the level and scope of work that auditors are required to do when certifying grant claims and returns.
- 4.2 We are no longer required (nor are we able to) perform any certification work on claims and returns under £100,000 and are required to perform only minimal procedures on those between £100,000 and £500,000.
- 4.3 For those claims and returns where a risk assessment is required we consider (amongst others) the following factors:
- The size and complexity of the claim and the relevance of each test to transactions at the Council;
 - The history of the claim at the Council and whether there had been any significant issues or concerns;
 - The quality of working papers produced by the Council to support entries on the claim; and
 - The extent to which Internal Audit has been used to verify entries in the claim and the extent to which we are able to rely on that work.
- 4.4 Where little or no reliance can be placed on the control environment then we would undertake detailed testing on each grant claim. For grant claims where reliance can be placed on the control environment then less detailed testing can be undertaken. This level of testing would be consistent with testing undertaken on claims between £100,000 and £500,000, and is very much a 'light touch' approach.
- 4.5 Assuming that there this limited change to the amount of work that we need to do on individual grant claims and returns and no significant changes in eligible expenditure, then we would expect 14 claims and returns to have eligible expenditure of over £500,000 in 2006-07.
- 4.6 Limited testing would be required on the following claims, which we could complete as an office-based exercise, as all the information could be faxed or e-mailed over to us.
- HC09 – AIDS Support
 - HOU11 – Discretionary Housing Payments
 - LA13 – London Recycling Fund
 - PEN05 – Teachers' Pensions Return (Woodhouse only)
 - SOC08 - Improving Information Management Capital Grant

- 4.7 The two claims (being EDU29 and SOC13) where we completed limited testing in 2005/06, would both fall below the de minimus limit in 2006/07, and therefore no certification procedures would be undertaken on either of these claims.
- 4.8 Due to the Council achieving a '3 star' rating in the latest corporate assessment the amount of claims and returns that are required to be certified may fall for 2006-07. This has not been taken into account in the analysis above, but could result in a significant reduction in the number of claims and returns that are subject to auditor certification.
- 4.9 Therefore we would expect reduced fees for grants and returns in 2006-07 as a result of these revised arrangements.
- 4.10 Finally, it is likely that the certification deadline for the LA01 claim will be aligned with the accounts signing deadline of 30 September 2007. The DWP have already given notification that the deadline for the 2006-07 BEN01 will be 30 November 2007.

Appendix A – Action Plan

Reference	Issue and Recommendation	Priority	Management Response	Implementation	
				By who:	By when:
Arrangements for managing and administering grant schemes					
1	All working papers should be reconciled back to the claim or return, prior to the claim or return being signed by the Chief Finance Officer.	1	Agreed. To be reinforced at officer training sessions.	Lead officer for each claim	Immediate
2	Arithmetic checks should be undertaken on the claim or return to ensure that transposition or other calculation errors are identified prior to certification.	2	Agreed. To be reinforced at officer training sessions.	Lead officer for each claim	Immediate
3	We recommend that a more senior officer, who is independent of the preparation process, review claims and returns. This review should be documented.	2	Agreed. Forms part of the grants co-ordinator role.	Finance Manager – Closing & Compliance	Immediate
4	A regular review should be undertaken of the claim or return against the grant terms and conditions to ensure that the Council is complying with these terms and conditions.	2	Agreed. To be reinforced at officer training sessions.	Lead officer for each claim	Immediate

Reference	Issue and Recommendation	Priority	Management Response	Implementation	
				By who:	By when:
5	<p>We recommend (as we did in the prior year) that the Council carries out or commissions a review to ensure that:</p> <ul style="list-style-type: none"> • Claims are made for every area of eligible expenditure (subject of course to compliance with Council priorities and duties); • Resources are committed to manage the grant income and cash-flow in an effective manner; and • Suitable performance management arrangements are in place for both internal staff and third parties, charged with these responsibilities. We would stress that it is the Council's responsibility to ensure that third parties charged with management of grant funding comply with the conditions of the grant. 	2	<p>The responsibility for identifying suitable grants to apply for sits with Directors and service managers.</p> <p>Directors and service managers are required to inform the Chief Finance Officer of the timing of major items of income and expenditure.</p> <p>Agreements are in place with some third parties for the requisite supporting and management information. Areas where this does not occur need to be identified and the best practice arrangements extended.</p>	Finance Manager – Closing & Compliance	April 2007
6	As there are officers now responsible for grant claims and returns without prior experience and training in the preparation of claims and returns for audit, the Council should provide training on the certification process.	2	Agreed. Training to be programmed prior to the next round of grant claims.	Finance Manager – Closing & Compliance	April 2007

Appendix B - Claims and returns submitted on time

CI ref.	Claim	Claim received on time
		Yes - No
BEN01	Housing Benefit & Council Tax Benefit Subsidy	No
CFB06	Pooling of Housing Capital Receipts	No
EDU29	Teachers Pay Grants	Yes
EDU33	Education Special Grants	Yes
EYC02	General Sure Start	No
EYC06	Children's Fund	Yes
EYC08	Sure Start local programmes	No
HC08	Mental Health grant	Yes
HC09	AIDS Support grant	Yes
HOU01	Housing Revenue Account Subsidy	Yes
HOU02	Housing Subsidy Base Data Return	Yes
HOU11	Discretionary housing payments	No
HOU21	Disabled Facilities grant	Yes
LA01	National non-domestic rates return	No
LA13	London Recycling Fund	Yes
PEN04	Staff related inherited liabilities	Yes
PEN05	Teachers Pension return (x3)	Yes
SOC08	Improving Information Management Capital Grant	No
SOC13	Teenage Pregnancy Grant	Yes
SOC31	Quality Protects grant	Yes

Appendix C – Claims and returns certified during 2005-06

<u>Grant Claim</u>	<u>Grant Title</u>	<u>Value of claim</u>	<u>Amended</u>	<u>Value of Amendment</u> <u>(£) (Note 1)</u>	<u>Qualified</u>
BEN01	Housing Benefit & Council Tax Benefit Subsidy	152,229,423	✓	-2,691	✓
CFB06	Pooling of Housing Capital Receipts	6,258,328	✓	-14,329	
EDU29	Teachers Pay Grants	84,436		N/a	✓
EDU33	Education Special Grants	5,437,180		N/a	
EYC02	General Sure Start	2,481,238		N/a	
EYC06	Children's Fund	665,587		N/a	
EYC08	Sure Start local programmes	676,191		Note 2	
HC08	Mental Health grant	845,569		N/a	
HC09	AIDS Support grant	272,900		N/a	
HOU01	Housing Revenue Account Subsidy	-8,491,999	✓	Note 3	
HOU02	Housing Subsidy Base Data Return	N/a	✓	Note 3	✓
HOU11	Discretionary housing payments	226,087		N/a	
HOU21	Disabled Facilities grant	666,000	✓	Note 4	
LA01	National non-domestic rates return	79,252,458	✓	717,461	✓
LA13	London Recycling Fund	381,942		N/a	
PEN04	Staff related inherited liabilities	1,087,019		Note 2	
PEN05	Teachers Pension return (x3)	17,767,111	✓	-382,410 Note 5	✓
SOC08	Improving Information Management Capital	451,415		N/a	
SOC13	Teenage Pregnancy Grant	90,243		N/a	
SOC31	Quality Protects grant	727,765	✓	-334	

Notes to this table have been documented overleaf.

Note 1 – A positive number relates to an increase in the amount receivable/decrease in the amount payable. A negative number relates to a decrease in the amount receivable/increase in the amount payable.

Note 2 – The certification of these grants and returns have yet to be completed.

Note 3 - The financial impact of amendments to these two claims are not obvious to the auditor. The amendments to the HOU01 may have a financial impact as the amount of subsidy repayable may require adjustment. The HOU02 return amendments will have an impact on the housing revenue account subsidy payable in 2007/08.

Note 4 – Amendments were required to the claim form, but these did not have a financial impact.

Note 5 – One of the three claims was amended. This was the main claim.

Appendix D – Fee analysis against previous years

Billed	CI ref.	Claim	Total fee (Current Year)	Total fee (Prior Year)	Variance (Fav/Adv)
Sept 2006	CFB06	Pooling of Capital Housing Receipts	3,480	4,255	745
	EDU29	Teachers Pay Grants	810	7,329	6,519
	EYC06	Children's Fund	3,330	5,060	1,730
	HOU11	Discretionary Housing Payments	1,440	1,783	343
	PEN05	Teachers' Pensions Returns (x3)	7,440	4,198	-3,242
	SOC13	Teenage Pregnancy Grant	810	1,524	714
Oct 2006	EDU33	Education Special Grants	1,860	1,210	-650
	EYC02	General Sure Start Grant	3,660	5,578	1,918
	HOU02	Housing Subsidy Base Data Return	12,540	5,520	-7,020
	LA01	NNDR3 return	11,160	12,679	1,519
Dec 2006	BEN01	Housing and Council tax benefits	25,800	18,285	-7,515
	HC08	Mental Health Grant	3,540	1,380	-2,160
	HC09	AIDS Support grant	1,920	3,795	1,875
	HOU01	Housing Revenue Account Subsidy	5,340	3,105	-2,235
	HOU02	Housing Subsidy Base Data Return (Note 1)	270	0	-270
	HOU21	Disabled Facilities Grants	5,490	4,428	-1,062
	LA13	London Recycling Fund	3,060	1,610	-1,450
	SOC08	Improving Information Management grant	1,410	1,438	28
	SOC31	Quality Protects	1,260	1,380	120
Total – see Notes 2 and 3			94,620	84,557	-10,063

Note 1 - The DCLG required us to undertake some additional work on the HOU02 claim to clear one of the qualification points, raised in our certification work in October.

Note 2 – No fee has been charged for two claims in 2006, as certification work is yet to be completed.

Note 3 – The total fee for grants in 2004/05 was £109,250. The difference is due to the Sure Start local projects (£11,558) and Staff related inherited liabilities (£3,450) not being included on the prior year fee analysis as the current year certification is not yet complete and schemes discontinued in 2005/06.