



## East Devon District Council

Grants Report 2008-09

January 2010

<b>Contents</b>		<b>Page</b>
<b>1</b>	<b>Executive summary</b>	<b>1</b>
<b>2</b>	<b>Detailed findings</b>	<b>3</b>

### **Appendices**

- A Approach and context to certification**
- B Details of claims and returns certified in 2008-09**
- C Action plan**

# 1 Executive summary

## Introduction

- 1.1 The Council received six grant claims and returns from government departments and other bodies requiring external audit certification in 2008-09, representing income in excess of £57 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
Compared to 2007-08, the Council's has successfully reduced the number of claims subject to amendment and qualification, and has submitted a higher percentage of claims within the required deadline. We commend the Council for the significant progress that has been made.	The Council can further improve this performance through implementing the recommendations included at Appendix C.

#### 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 working papers and overall management arrangements, which can help the Council further reduce the claims subject to amendment or qualification.	The Council can further improve the accuracy of claims and returns by introducing a formal working paper structure and management review process.
The Council has made significant progress in the accuracy of its housing revenue account base data return, addressing the full qualification in 2007-08. However there remain two points where qualification remains extant.	<p>The following evidence should be provided to support entries in the claim form:</p> <ul style="list-style-type: none"> <li>• construction dates for the Council's dwellings; and</li> <li>• rent caps and limits for each dwelling, as required by the 'Caps and Limits Model' provided by Communities and Local Government.</li> </ul>

### 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 further assist the council in compiling accurate and timely claims for certification. This will reduce the possible risk of penalties for late submission, potential repayment of grant and additional certification fees, in the event of any amendments or qualifications.
- 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 and council tax benefit 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 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 six claims and returns submitted for certification in 2008-09 compared to the nine 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%	5	83%	7	78%	↑
Number of claims certified on time *	100%	6	100%	9	100%	↔
Number of claims amended by the auditor	0%	3	50%	8	89%	↑
Number of claims qualified by the auditor	0%	1	17%	4	44%	↑

\* 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. For 2008-09 this includes the HOU02 claim certified within the extended deadline as agreed with Communities and Local Government.

- 2.3 This analysis of performance against targets shows that:
- the Council has significantly reduced the number of claims subject to amendment or qualification, reflecting improved accuracy in completing the claim forms and, adherence to the terms and conditions of each scheme;

- the nature and value of amendments made were not significant and have no ongoing impact and, therefore are not expected to reoccur in 2009-10;
  - there was commendable improvement in the quality of the one remaining claim subject to qualification, as a large number of cells were qualified in 2007-08 compared to two remaining points in 2008-09;
  - the percentage of original signed claims received by Grant Thornton by the Council's deadline has improved, however one claim was submitted late in 2008-09. An original signed claim form should be received by Grant Thornton's Bristol office by the deadline specified by the relevant Government department; and
  - all claims were certified by the deadlines agreed with the Government department, as in 2007-08, including the processing of amendments.
- 2.4 We charged a total fee of £31,275 against a budget of £26,000 for the certification of claims and returns in 2008-09, this budget was estimated prior to our 2007-08 certification work. The figure charged is consistent with the fee of £30,221 charged in 2007-08 and reflects additional work performed to ensure:
- that an unqualified opinion was issued for the housing and council tax benefit scheme; and
  - that the number of cells qualified on the housing revenue account subsidy base data return was minimised.
- 2.5 Details of fees charged for specific claims are included within Appendix B.

### **Management arrangements**

- 2.6 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**

- 2.7 The majority of the Council's claims and returns are prepared by finance, however there is no overall grants co-ordinator in place. Without a central contact managing the submission of claims, there is an increased risk that the Council will not meet the required deadlines.
- 2.8 Following our recommendation to nominate a grants co-ordinator in 2007-08, the Council decided to introduce a central register of claims and returns to be updated by the officer responsible for submitting each claim.

### **Submission procedures**

- 2.9 In order to meet the Council's submission deadline an original, signed, version of the claim form must be received by external audit by the deadline specified by the relevant department. Missed deadlines can cause in delays to certification and may result in penalties being imposed by the awarding body.

- 2.10 The Council should ensure that original, signed, version of each claim form is received in Grant Thornton's Bristol office before the specified deadline.

### **Compilation procedures**

- 2.11 An adjustment was required to the disabled facilities grant as a result of changes to the terms and conditions of the scheme not being noted. If guidance is not monitored for changes to the terms and conditions associated with each grant, amendments or qualification may be required and, adjustments may be made to the funding awarded to the Council.

### **Quality of working papers**

- 2.12 Working papers have been provided for all claims subject to certification and, whilst the required information is initially provided for most claims, the overall standard of documentation varies and is not consistently of a high standard. Incomplete working papers result in increased auditor time and, require additional officer time to address queries raised.
- 2.13 Working papers should be provided in a standard file format, including evidence to support each cell subject to certification, dated and referenced to the claim and, should include the preparer's name.

### **Independent review**

- 2.14 There is limited evidence of independent review for the majority of claims submitted for certification. Independent review can identify errors that may otherwise result in adjustment or qualification as a result of our work. We also consider the extent of review when determining the amount of detailed testing to perform.
- 2.15 Each claim form and its associated working papers should be subject to independent review by another officer prior to submission for certification.

### **Significant findings in relation to individual claims and returns**

- 2.16 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.
- 2.17 Of the claims and returns submitted for certification the most significant findings were in relation to the following claims:
- housing revenue account subsidy base data return; and
  - housing and council tax benefits scheme.
- 2.18 Specific details on these schemes follow and recommendations for improvement are included at Appendix C.

### **Housing revenue account subsidy base data return**

- 2.19 This claim was qualified in 2007-08 as the Council was not able to support the classification of its dwelling stock between the categories required on the claim. The Council has invested significant time to carry out a stock survey, resulting in improvements in the accuracy of the data held relating to the Council's housing stock, however eight cells remain qualified in 2008-09.

- 2.20 The key issue relates to the date of construction of each dwelling. The Council has been unable to support the split of the total number of dwellings by date of construction on the claim form. Without further review of the Council's housing stock to determine the construction date of each property, these cells will continue to be qualified in future years.
- 2.21 In addition, a spreadsheet is provided by CLG to calculate the figure for the average weekly constrained transitional rent, however the Council does not have the data required for the calculation of this cell. Without this data, this cell will continue to be qualified in future years.

### **Housing and council tax benefits scheme**

- 2.22 The Council requires benefits assessors to process all changes in circumstances on Academy, the benefits system, however our testing identified a small number of changes that do not affect claimants' entitlement that were not processed. If a further change in circumstances occurs, those previous changes that were not processed may affect the claimant's entitlement and therefore subsidy paid. We support the Council's policy to process all changes and recommend that staff continue to be reminded of the requirement to process such changes.

## 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? Y/N	Budgeted fee (£)	Actual fee (£)
BEN01	Housing and council tax benefits scheme	28,468,727	N	N/A	N	-	19,633
CFB06	Pooling of housing capital receipts	166,241	Y	(25)	N	-	895
HOU01	Housing revenue account subsidy	5,358,394	N	N/A	N	-	1,860
HOU02	Housing revenue account subsidy base data return	Non-financial	Y	Non-financial	Y	-	4,538
HOU21	Disabled facilities	381,915	Y	0 *	N	-	835
LA01	National non-domestic rates return	22,938,132	N	N/A	N	-	3,515
<b>TOTAL</b>		<b>57,313,409</b>	<b>-</b>	<b>(25)</b>	<b>-</b>	<b>26,000</b>	<b>31,275</b>

\* Note that two cells were amended on the HOU21 claim, as a result of a reclassification of £19,538 which had no overall effect on the claim value.

## C Action plan

Ref	Claim	Recommendation	Priority	Management response and implementation details
-	All schemes	The Council should ensure that original, signed versions of each claim form is received by Grant Thornton's Bristol office before the specified deadline.	Medium	This will be done. Officer responsible for making the claim Now
-	All schemes	A standard working paper file structure should be introduced that includes: <ul style="list-style-type: none"> <li>• terms and conditions for each grant claim and evidence of compliance with them;</li> <li>• working papers to support each cell subject to certification, dated and referenced to the claim, and should include the preparer's name; and</li> <li>• evidence of independent review prior to submission for certification.</li> </ul>	High	This will be done although a view will be taken on a claim by claim basis on the appropriateness of an independent review depending on risk and additional staff time required. Head of Finance Now
BEN01	Housing and council tax benefit scheme	The Council should continue to ensure that assessors comply with the Council's policy to process all changes in a claimant's circumstances, even if the change does not affect entitlement, at the time it is made.	Medium	Will continue with this policy. Head of Finance Already in place

Ref	Claim	Recommendation	Priority	Management response and implementation details
BEN01	Housing and council tax benefit scheme	The Council should further investigate whether an SQL (Structured Query Language) report can be generated from Academy showing all the system parameters being used. If run, this should be included in the working papers for this claim.	Low	We will enquire if SQL available when completing the 2009/10 subsidy claim. Benefits Systems Officer (MLJ) Next claim submission
HOU02	Housing revenue account subsidy base data	Construction dates for the Council's dwellings should be obtained and evidenced to demonstrate the classification between the categories on the claim form is correct.	High	Confirmation is to be sought from the DCLG as to the necessity of this information. Details are held on the Council housing system but no independent confirmation is available. The only method of verification would be survey work at a cost to the Council. Head of Finance Letter to be sent to DCLG January 2010
HOU02	Housing revenue account subsidy base data	The Council should ensure that information is available to complete the 'Caps and Limits' spreadsheet provided by CLG.	High	Confirmation is to be sought from the DCLG as to the necessity of this information. This information was not required previously and has now become a new requirement. Although raised by our auditors no action was required from DCLG, however confirmation is required for future claims. Head of Finance to confirm with DCLG if information is required for future claims. If so the responsibility to provide this information rests with the Rental Team which is managed by the Head of Housing. Letter to be sent to DCLG January 2010. If spreadsheet required then to be completed for next claim submission.



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