

# Annual Grant Claims

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Halton Borough Council

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Audit 2008/09

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January 2010

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## **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Summary report

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## Introduction

- 1 Halton Borough Council receives a significant amount of income from government grants and subsidies, some of which are subject to certification by the Audit Commission.
- 2 The introduction of the Local Area Agreement has meant that the number of claims requiring certification has continued to reduce. However, the certification of the remaining grant claims still requires a considerable amount of resources from the Audit Commission.
- 3 Efficient preparation of grant claims by the Council should ensure that:
  - claims are properly supported by the required documentation;
  - the potential suspension of payments from government departments is avoided;
  - problems are highlighted and resolved for future audits; and
  - reduction in audit fees is maximised under the Commission's certification arrangements

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## Background

- 4 The work that we are required to undertake in respect of each claim is specified in a Certification Instruction (CI), issued by the Audit Commission for each scheme.
- 5 We are required to carry out audit tests using a risk based approach, as specified in General Certification Instruction CI A01 (R3-09) . This means that any grant claim of below the de-minimis amount of £100k is not certified by the Commission and any claims received by us for less than £100k will be returned to the Council. Claims between the de-minimis amount and the current threshold amount of £500k are subjected to a reduced level of testing. For claims above £500k the control environment is assessed to establish the level of reliance we can take from it and an appropriate level of testing is then applied.
- 6 The assessment of the control environment includes the consideration of a number of factors before the level of testing is decided, for example:
  - 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 have been any significant issues or concerns in the past;

- 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 can rely on that work.

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### Main conclusions

- 7** The standard of working paper files provided has improved for 2008/09 but there were some instances where a complete set of working papers were not provided at the time the claim was submitted for certification. There is a risk to the Council that grant-paying bodies will withhold funding if claims are not certified in accordance with the required deadlines. Incomplete and/or inadequate working papers supporting grant claims can lead to increased audit time being spent on certification
- 8** In total 13 claims (including Housing Benefit) were submitted for certification. From these three claims required amendment, six were qualified, and two were amended and qualified. Many of the amendments related to arithmetic errors and issues with the initial completion of the claim such as omitted figures. This situation could be improved by an effective independent review of the completed claims and supporting working papers prior to submission for certification.
- 9** Qualifications have arisen due to the failure of one or more of the CI tests and the Council should ensure that individual grant holders are aware of the requirements of the grant-paying bodies and that these are being met.
- 10** Five of the qualified grant claims related to ERDF projects and, due to the Council submitting further information to GONW which created a discrepancy with the certified claim, a re-audit was subsequently required by GONW. It is important that individual grant holders are aware that all claims submitted for certification should be the final version and should also reconcile to information submitted to the grant-paying bodies by the Council.
- 11** The audit of the Housing Benefit claim, the Council's most significant grant claim, was straightforward with only one very minor error identified.

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# Detailed report

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## Qualifications and amendments

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**Table 1 Summary of 2008/2009 Qualifications and amendments**

	2008/09
Number of individual claims certified	13
Number of amended claims	3
Percentage amended	23 per cent
Number of qualified claims	6
Percentage qualified	46 per cent
Number of amended and qualified claims	2
Percentage amended and qualified	15 per cent

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### Recommendations

- R1** Carry out an effective independent review of the completed claims and supporting working papers prior to submission for certification.
- R2** Ensure that individual grant holders are aware of the requirements of the grant-paying bodies and that these are being met.
- R3** Individual grant holders should only submit the final version of claims for certification and should also ensure the claim is consistent with other information submitted to the grant-paying bodies by the Council.

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### Claim Submission

- 12** Any delay in the submission of grant claims for certification, with supporting working papers, has the potential to delay the submission of the certified claim to the grant-paying body. In some cases this may carry a risk of payments being suspended and subsequent financial loss to the Council.

**Recommendation**

**R4** Ensure that all claims requiring certification are submitted with a complete and appropriate set of supporting working papers.

**Table 2 Submission record**

	2008/09
Number of claims submitted for certification	13
Number of claims submitted within the deadline	9
Per cent within deadline	69 per cent

**Working Papers**

**13** The Council has some arrangements in place to assist in the timely and accurate submission of grant claims and the number of claims submitted for certification on time has improved. However, there still remains a small proportion that are either submitted late or submitted without adequate and complete working papers..

**Housing benefits**

- 14** The Council receives a significant level of Housing Benefit Grant, in excess of £51.3m in 2008/09 and the certification of this claim is the most significant in terms of the resources required.
- 15** The audit of the claim was completed to the required timescale and was certified on 26 October 2009 well within the required 30 November deadline. We identified an error relating to uncashed cheques that required an amendment to the claim, this resulted in an additional £3,552 of subsidy due to the Council.
- 16** In our initial testing sample of 10 new claim cases and 10 change of circumstance cases for each benefit type we found one low value error relating to a change in circumstance case where the Council had not correctly applied the claimant's single person discount. In line with the CI requirements we selected for testing a further sub-population of 40 cases where there had been a change in circumstances relating to an increase to council tax benefit.. Within this additional sample there were only three cases of single person discount and our testing confirmed that single persons discount had been correctly applied in all three cases. Given the low value of the identified error and the low potential impact on the other cells in the claim the Council did not make an amendment to the claim for this.
- 17** Responses to audit queries and requests for additional information were both prompt and effective and the samples selected for testing contained minimal errors. Both of these factors helped ensure a straightforward and efficient audit of the 2008/09 HB claim.

# Appendix 1 - Summary of 2008/09 Amendments and Qualifications

CI Ref	Title of Claim	Reason for (A) amendment and/or (Q) qualification
BEN01	Housing and Council Tax Benefits	(A) Amendment to cell 007 (uncashed cheques) and various cells due to Council error. (Q) Qualification letter issued as the identified low value error on single person discount was not amended by the Council.
EUR02	ERDF50 - Halton and Vale Royal Priority 1 FEA ERDF50 - Halton and Vale Royal Priority 1 TRANS	(Q) Qualification letter issued. These claims were submitted for re-audit and the amended ERDF50s were not supported by amended ERDF60s or ERDF80s. The Council have informed GONW of this issue.
EUR02	ERDF50 - Halton and Vale Royal Priority 2 FEA ERDF50 - Halton and Vale Royal Priority 2 TRANS	(Q) Qualification letter issued. These claims were submitted for re-audit and the amended ERDF50s were not supported by amended ERDF60s or ERDF80s. The Council have informed GONW of this issue.
EUR02	ERDF50 - Halton and Vale Royal Priority 3 FEA	(Q) Qualification letter issued. This claim was submitted for re-audit and the amended ERDF50 was not supported by amended ERDF60 or ERDF80. The Council have informed GONW of this issue.
EYC02	Surestart - Early Years and Childcare	(Q) Qualification letter issued due to uncertainties over the existence and quality of asset registers relating to capital expenditure.
PEN05	Teacher Pensions Return	(A) Amendment due to arithmetic error. (Q) Qualification letter issued due to incorrect pension deductions relating to absence.

<b>CI Ref</b>	<b>Title of Claim</b>	<b>Reason for (A) amendment and/or (Q) qualification</b>
RG34	NWDA - Sustainable Travel	(A) Amendment to fully complete claim and correct arithmetic error.
RG34	NWDA - EDZ Widnes Waterfront	(A) Amendment due to various arithmetic errors and claim not being signed by Chief Financial Officer.
RG34	NWDA - 3MG	(A) Amendment due to claim not being signed by Chief Financial Officer

## Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Carry out an effective independent review of the completed claims and supporting working papers prior to submission for certification.	3	Chief Accountant	Yes	Procedures will be introduced as part of the new 'unified' finance function, for independent review by colleagues within each team	31 March 2010
5	R2 Ensure that individual grant holders are aware of the requirements of the grant-paying bodies and that these are being met.	3	Chief Accountant	Yes	Grant holders will be reminded of the need to ensure grant eligibility criteria are always met	31 January 2010
5	R3 Individual grant holders should only submit the final version of claims for certification and should also ensure the claim is consistent with other information submitted to the grant paying bodies by the Council.	3	Chief Accountant	Yes	As part of the new 'unified' finance function, procedures will be introduced to ensure only final versions are submitted and that the information is the same as submitted to the grant paying body	31 March 2010
6	R4 Ensure that all claims requiring certification are submitted with a complete and appropriate set of supporting working papers.	3	Chief Accountant	Yes	Procedures will be introduced as part of the new 'unified' finance structure to ensure that appropriate working papers are submitted for certification along with the claim.	31 March 2010

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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