

REPORT TO: Business Efficiency Board
DATE: 19 January 2011
REPORTING OFFICER: Operational Director – Finance
SUBJECT: Audit Commission 2009/10 Annual Grant Claim Report
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Audit Commission's report following the audit of 2009/10 grant claims.

2.0 RECOMMENDED: That the Audit Commission's report presented at Appendix 1 be received.

3.0 BACKGROUND

3.1 The District Auditor will attend the meeting to present the Audit Commission's findings following the audit of 2009/10 grant claims, the report of which is shown in Appendix 1.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications.

6.0 RISK ANALYSIS

6.1 There are no direct risks involved with this report, however, the Audit Commission's work assists the Council in ensuring that a sound control environment is operated which minimises financial risks.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072

8.1 There are no background papers under the meaning of the Act.

Our reference HA003

21 December 2010

The Members
Halton Borough Council
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Dear Ladies and Gentlemen

2009-10 Annual Claims and Returns report

Halton Borough Council receives a significant amount of funding from various grant-paying departments. The grant-paying departments attach conditions to these grants and the Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant grant conditions have been met.

For 2009/10, to date, my audit team have certified 7 grant claim returns with a total value of £127 million. Of these, we carried out a limited review on 6 claims and a full review on 1 claim. I am pleased to report that:

- none of the claims were amended in any significant way;
- we were able to fully certify all returns; and
- we identified no issues in relation to the control environment for claims and returns to grant paying departments.

These results reflect the efforts made by the Council to improve the grant preparation process across all claims that require certification. In particular, the Housing and Council Tax Benefit claim has continued to reflect high standards of preparation and accuracy with only one very minor amendment required as a result of my audit team's testing.

There is one overdue NWDA grant for £1,155,630 which has not yet been submitted for certification by the Council. We expect to certify this during January 2011.

Appendix 1a below sets out a full summary of the claims reviewed. Appendix 1b below provides a brief explanation of the certification regime including the difference between a limited and a full review.

As at the end of December 2010 my audit fee for the certification of the Council's grant claims totalled £35,000 (estimated).

Yours sincerely

Michael Thomas
District Auditor

Appendix 1a: Summary of 2009/10 Certified Claims

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing & Council Tax Benefit (BEN01)	59,051,053	Yes	Yes	No
General Sure Start (EYC02)	7,194,432	Yes	Yes	No
National non-domestic rates return (NNDR3)	44,575,566	Yes	No	No
Teachers Pension Fund (PEN05)	8,312,584	Yes	No	No
NWDA Single Programme – Bayer Crop Science (RG34)	5,800,390	Yes	Yes	No
NWDA Single Programme – EDZ Widnes Waterfront (RG34)	1,199,108	Yes	Yes	No
NWDA Single Programme – 3MG (RG34)	1,155,630	Not yet certified	Not yet certified	Not yet certified
Disabled Facilities (HOU21)	453,000	Yes	Yes	No

Appendix 1b: Background

The income received from grant paying departments by the Council is significant so it is important that the grant certification process is properly managed. In particular this means:

- an adequate control environment for each claim and return ; and
- ensuring that the Council can evidence that it has met the conditions attached to each claim.

I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants and subsidies paid by the government departments and public bodies to Halton Borough Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.

The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant-paying departments.

The key features of the 2009/10 arrangements are as follows:

- In all cases the financial limits are by reference to the total amount claimed, rather than the grant allocation, total eligible expenditure, or total amount reported. For projects spanning over more than one year, the financial limit is by reference to the total amount claimable over the lifetime of the project. Each certification instruction provides guidance on the form entries that determine the value of a claim or return. This approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.
- For claims and returns below £125,000 the Commission does not make certification arrangements.
- For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure or data.
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required.

The work that we undertake to certify the Housing Benefits claim for the Department for Work and Pensions is slightly different. Because of the high value and high risk nature of the claim, the auditor has to test the entries on a Council's claim form. In doing this we:

- confirm that the subsidy claim has been completed using the recognised software for claim completion;
- undertake an analytical review for a year by year comparison and comparisons to other Councils; and
- carry out detailed testing of individual claims for benefit to ensure the Council is calculating benefit entitlement correctly and reporting accurate performance information to the Department for Work and Pensions.