

Report to: **Audit and Best Value Scrutiny Committee**

Date: **2 June 2010**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Report on grant claim certification for the year ended 31 March 2010**

Purpose of report: **To report to the Committee the external auditors findings from grant certification work in 2009/10 in line with the requirements of the Audit Commission**

RECOMMENDATION: The Committee is recommended to note the report.

1. Financial Appraisal

1.1 PKF certified 7 grants totalling £38.4m during the year at a cost of £15,480 to the Council. In addition, the Audit Commission's requirement for the production of the attached summary report for 2009/10 has brought an additional cost of £1,500.

2. Supporting Information

2.1 The Audit Commission now requires all local authority external auditors to provide a summary report on grant claims that they have audited during the year, to those charged with governance, by 31 March. The report from the County Council's external auditors PKF was circulated to this Committee prior to the deadline and is now attached for formal consideration.

2.2 Members will note that the external auditor is positive about the Council's processes for grant certification. However, the report does identify one grant claim that was qualified. Unfortunately the relevant senior managers at the Council had not been made aware of the qualification and on further investigation by both ourselves and PKF we identified improvements that were required in both our communication and escalation processes which we will be making for the coming year. PKF were also able to confirm in the final version of their report that had they had the information that the Council has now been able to provide to them in relation to this grant then it is likely that they would not have qualified it.

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Deputy Chief Executive and Director of Corporate Resources

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BACKGROUND DOCUMENTS

None

Local Members: All



Accountants &
business advisers

East Sussex County Council

Report on Grant Claim Certification for the year ended 31 March 2009

March 2010

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body with reference to the separate Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

[Statement of Responsibilities of Auditors and Audited Bodies](#)

[Statement of Responsibilities of Grant-paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns](#)

1 Introduction

- 1.1 This report summarises the main issues arising from the certification of grant claims for the financial year ending 31 March 2009. We undertake grant claim certification as an agent of the Audit Commission, in accordance with the Certification Instructions issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.
- 1.2 After completion of the tests contained within the Certification Instruction the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.
- 1.3 The Audit Commission's September 2009 *Review of Arrangements for Certifying Claims and Returns* recommended that the findings from grant certification work be taken into account in the use of resources assessment. The 2009/10 guidance for key line of enquiry (KLOE) 2.4 which focuses on risks and internal control has been updated to reflect this and evidence from certification work may also be relevant to KLOE 1.1 (financial planning), 1.3 (financial reporting) and 2.2 (data quality). Consequently the outcomes of the 2008/09 certification work, included within this report, will inform the use of resources assessment and Value for Money conclusion for 2009/10.

2 Summary of certification

2.1 The table below identifies the certification status of the grant claims audited for the year ending 31 March 2009:

Claim	Value of claim £	Qualified/ Unqualified	Number of amendments	Impact of amendments on claim £	Fee for the year ended 31 March 2009 £	Fee for the year ended 31 March 2008 £
Sure start	£8,321,467	Unqualified	0	-	£3,616	£,3135
School centred Initial Teacher Training - LEA	£482,500	Unqualified	0	-	£996	£970
School centred Initial Teacher Training - Claverham	£311,476	Unqualified	0	-	£2,160	£1,735
Teachers Pension	£25,936,399	Unqualified	0	-	£3,706	£3,675
SEEDA	£1,465,178	Qualified *	2	0	£3,774	-
ERDF – Rethinking Rubbish (restatement exercise)	£667,351	Unqualified	0	-	£614	-
ERDF – Franco Cycle (restatement exercise)	£1,211,905	Unqualified	0	-	£614	-
Total for 2008/09					£15,480	£9,515

*But see paragraph 2.4 below

Issues arising

- 2.2 Six of the seven claims or returns submitted for audit by the Council were signed off as unqualified, those having been completed without any amendment. This is largely a result of the arrangements the Council has put in place to ensure accurate preparation of claims, as well as review prior to submission to the auditor.
- 2.3 The seventh claim, for SEEDA, was signed off with a qualification to the effect that we had been unable to confirm the adequacy of the spot checks the Council had performed on records held by partner bodies as detailed records of the visits had not been retained or alternatively a sample of invoices held by partner bodies could not be vouched.
- 2.4 We have recently had occasion to revisit our conclusion. On re-examination of our file and documentation we believe it is reasonable to assume that with the documentation we were able to obtain and assurances we would expect the Council would have been able to provide the qualification could have been avoided.
- 2.5 Two audit amendments were made to the claim.
- 2.6 The qualification has not had an impact on the receipt of monies from the grant paying body. For future years there is still a requirement for the return to be submitted, but there is no longer a requirement for it to be audited.
- 2.7 We have agreed with the Council a process for dealing with any potential qualification of grant claims in the future.

Impact on fees

- 2.8 The Grants Report is mandated by the Audit Commission, as a result of their *Review of Arrangements for Certifying Claims and Returns*, to raise the importance and profile of certification work and improve the standards of claims and returns prepared. The cost of producing this Grants Report is charged under section 28 of the Audit Commission Act 1998 and is calculated based upon the number of hours taken to draft, agree and finalise the report.

3 Conclusions

- 3.1 The Council has very good processes in place for preparing grant claims.