

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

Date: **4 March 2011**

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

Title of report: **Report on grant claim certification for the year ended 31 March 2011**

Purpose of report: **To report to the Committee the external auditor's findings from grant certification work in 2010/11 in line with the requirements of the Audit Commission**

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**RECOMMENDATION: The Committee is recommended to note the report.**

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## **1. Financial Appraisal**

1.1 PKF certified 4 grants totalling £43m during the year at a cost of £15,872 to the Council. In addition the Audit Commission's requirement for the production of the attached summary report for 2010/11 has brought an additional cost of £1,000.

## **2. Supporting Information**

2.1 The Audit Commission 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 covers grants relating to the financial year 2009/10 which have been audited during 2010/11.

2.2 Members will note that the external auditor is positive about the Council's processes for grant certification and makes no recommendations for improvement. New arrangements for communication and escalation have worked effectively and ensured that the relevant officers were aware of the amendment issue referred to in the report and were able to ensure that appropriate action was taken.

SEAN NOLAN  
Deputy Chief Executive and Director of Corporate Resources

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Local Member: All

## **BACKGROUND DOCUMENTS**

None



Accountants &  
business advisers

## **East Sussex County Council**

# **Report on Grant Claim Certification for the year ended 31 March 2010**

February 2011

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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 Background

- 1.1 Government departments rely on the external auditor's certification work to ensure grant claims and returns are fairly stated and that expenditure is incurred by local authorities in accordance with the terms and conditions agreed. Where external auditors cannot confirm the accuracy of subsidy claimed, the grant claim is certified with a qualification letter and there is a risk the government department may withhold subsidy until the qualification matter is resolved. This can adversely affect Councils' cash flow and resources.
- 1.2 At East Sussex County Council, the value of claims and other returns certified in 2009/10 amounted to over £43 million.
- 1.3 We undertake grant claim certification as an agent of the Audit Commission, in accordance with the Certification Instructions issued by the Commission after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission. Claims less than £125,000 in value are outside the scope of the external auditor's certification work. For those claims with a value of between £125,000 and £500,000, we conduct only a limited review of the overall control environment before certifying the claim.
- 1.4 After completion of the tests contained within the Commission's Certification Instructions, the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, the claim may be qualified based on the audit testing completed.
- 1.5 This report summarises the main issues arising from the certification of grant claims for the financial year ending 31 March 2010. Our audit of grant claims was conducted between July and December 2010 in accordance with the deadlines specified by the Audit Commission.

## 2 Key conclusions

- 2.1 The Council's arrangements for preparing grant claims and other returns to Government departments are generally operating effectively.
- 2.2 Three out of four of the grant claims and returns that we audited for 2009/10 were found to be accurate and prepared in accordance with the terms and conditions of grant awarded. One claim, the Sure Start claim, was amended by the Council as a result of the audit, before submission to the Department for Education. The amendment was required as our testing of a sample of expenditure included in the claim identified an item that related to the previous financial year due to a delay in receipt of the invoice. We extended our sample testing in this area as a result of the issue identified, however we did not identify any further issues therefore we were able to conclude that this was an isolated incident.
- 2.3 We confirmed that all final claims were fairly stated in our audit reports to government departments and all deadlines set by government departments for submitting final claims and returns were achieved.
- 2.4 Our report contains no recommendations relating the Council's arrangements for producing grant claims and returns.
- 2.5 A summary of the grant claims and returns that we audited is set out in Section 3.
- 2.6 The cost of our audit of the Council's grant claims and returns for 2009/10 was £15,872. This fee was lower than the previous year's fee as there were fewer claims to audit in respect of the 2009/10 year. However fees on individual claims were higher than the previous year, particularly in respect of:
- the Sure Start claim, where additional sample testing was required as a result of the issue stated above
  - the Employment Based Initial Teacher Training (EBITT) claim and the School Centred Initial Teacher Training (SCITT) claim, where additional enquiries had to be made in respect of changes to the Training and Development Agency for Schools (TDA) grant requirements.
- 2.7 This 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 the report is £1,000. The fee will be 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 Summary of certification

The table below identifies the certification status of the grant claims audited for the year ending 31 March 2010:

Claim	Value of final claim £	Qualified/ Unqualified	Number of amendments	Impact of amendments on claim £	Fee for the year ended 31 March 2010 £	Fee for the year ended 31 March 2009 £
Sure Start	£15,818,451	Unqualified	1	(£15,245)	£5,448	£3,616
Employment Based Initial Teacher Training – LEA	£491,160	Unqualified	0	-	£4,393	£996
School Centred Initial Teacher Training – Claverham	£90,000	Unqualified	0	-	£2,253	£2,160
Teachers' Pension	£26,752,888	Unqualified	0	-	£3,778	£3,706
SEEDA	-	-	-	-	-	£3,774
ERDF – Rethinking Rubbish (restatement exercise)	-	-	-	-	-	£614
ERDF – Franco Cycle (restatement exercise)	-	-	-	-	-	£614
<b>Total for 2009/10</b>	<b>£43,152,499</b>				<b>£15,872</b>	<b>£15,480</b>