

# Certification of Claims and Returns - Annual Report

Dudley Metropolitan Borough Council

Audit 2008/09

February 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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# Key messages

**Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants.**

**This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from our assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified. From 2009/10 auditors will be required to consider the results of grant claim certification work as part of the Use of Resources assessment. The 2009/10 assessment will consider the results of certification work on 2008/09 claims. The 2008/09 Use of Resources assessment concluded that the Council performed well at managing its finances.**

**This report identifies a number of weaknesses in the Council's processes for preparing claims and returns and complying with terms and conditions set by the grant paying body. This report makes recommendations for addressing these weaknesses.**

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## Certification of claims

- 1 The Council received funding of £360 million for specific activities from various grant-paying departments. The grant-paying departments attach conditions to these grants. 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 conditions have been met.

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## Significant findings

- 2 My audit team certified 16 claims with a total value of £253 million. For 12 claims, we were unable to fully certify the claim and issued a qualification letter to the grant-paying body. Of these 12 claims, we amended 9 for errors. There is particular scope for improvement for claims prepared by Department of Urban Environment and Children's Services. This is detailed further in the specific claims section of this report. It should be noted that some amendments and qualifications to claims were not significant and so have not been referred to in this report. Appendix 1 sets out a full summary of certified claims.
- 3 We are required to assess whether we can place reliance on the control environment for each of the claims that we certify. Due to the fact that previous years' work on most of the Council's claims resulted in them being amended and/or qualified, we were not able to place reliance on the control environment. In determining whether reliance can be placed on the control environment auditors are required to consider a number of

factors. This is considered further in the section of this report on the control environment.

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### Certification fees

- 4 The fees charged for grant certification work in 2008/09 were £155k.

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### Actions

- 5 Appendix 2 summarises our recommendations. The relevant officers of the Council have already agreed these recommendations.

# Background

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- 6 The Council received grants of £360 million for specific activities from grant paying departments in 2008/09. As this is significant to the Council's income it is important that this process is properly managed. In particular this means:
  - an adequate control environment over each claim and return; and
  - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 7 We are required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Dudley 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.
- 8 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 9 The key features of the current arrangements are as follows.
  - For claims and returns below £100,000 the Commission does not make certification arrangements.
  - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
  - 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. This means that the audit fees for certification work are reduced if the control environment is strong.
  - For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

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# Findings

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## Specific claims

- 10** This section of the report details findings in respect of specific claims and actions needed to address them which warrant your attention. It should be noted that some amendments and qualifications to claims were not significant and so do not need to be reported here. A summary of claims certified in 2008/09 is set out in Appendix 1.

## Department of Urban Environment (DUE)

- 11** DUE submitted eight claims for certification. These fell into two categories. Firstly, there was a claim for expenditure on the Brierley Hill Sustainable Access Network (BHSAN) which was funded by the Department for Transport (DfT). Secondly, there were a number of claims for regeneration projects which were funded by the European Regional Development Fund (ERDF) and Advantage West Midlands (AWM).
- 12** The BHSAN claim was subject to a minor amendment and a qualification in respect of compliance with standing orders. Our sample testing of expenditure included four items where contracts had been placed with external suppliers. For two of these four items officers were unable to demonstrate that standing orders had been complied with. In one instance the Council were only able to find one supplier of the equipment needed and let the contract to this supplier. In such instances standing orders state that that an appropriate Director should record the reasons for accepting one quote in writing but this was not done. In the second instance the Council obtained a service through a service level agreement with a neighbouring local authority. Officers were not able to provide us with evidence that they had assessed whether this arrangement represented value for money prior to this expenditure being incurred.
- 13** Seven regeneration claims submitted by DUE have been certified. Six of these claims were qualified. The key issues identified in respect of these claims are as follows.
- As the beneficiary of grant the Council is required to have systems and procedures in place to ensure that all grant-funded payments are eligible, whether they are incurred by the Council or by its partners on the projects. Five of the claims were qualified because of weaknesses in the Council's arrangements for obtaining assurance that payments by partners and third parties had been made and were used for eligible activities. Payments were made by a number of types of bodies, including private sector organisations and other local authorities.
  - Grant paying bodies set out procurement rules which the Council must comply with in respect of its own procurement and that of its partners. Five of the claims were qualified because of weaknesses in the Council's arrangements for complying with these procurement rules. In some instances the Council could not provide evidence that the required number of quotes or tenders had been obtained for expenditure that they incurred. In other instances the Council could not demonstrate that it had adequate arrangements in place to ensure that its partners complied with the procurement rules.

## Findings

- One claim was qualified because entries on the claim form, in respect of project funding by the Council and by its partners, could not be agreed to supporting records.
  - One claim was qualified because of weaknesses in arrangements for ensuring that all capital assets purchased by grant were recorded in an asset register.
- 14** The ERDF claims were in respect of projects which lasted for a number of years. Government Office for the West Midlands (GOWM) initially required annual claims to be certified but suspended this requirement part way through the projects' lifespan. However, following completion of the projects, GOWM asked for final claims to be certified. This meant that testing had to be performed on expenditure for each of those years for which an annual claim had not been certified. For most projects this resulted in either three or four years of expenditure having to be tested. This resulted in certification work being time consuming both for ourselves and for the Council's officers.
- 15** We experienced a number of delays in getting responses from officers to queries raised during our certification work on regeneration claims. This was a particular problem when concerns were raised on specific issues following completion of testing. Resolution of issues raised required much more senior audit management work on the claims than would be expected and than is input at other local authorities. There were consequent delays in the certification of the claims and, in some instances; this resulted in the claims being certified after the set certification deadlines. This is an issue that needs to be addressed for future claims.

Recommendations	
<b>R1</b>	Remind managers with responsibility for procurement for works, goods and services of the Council's Standing Orders and their duty to abide by them. Managers should revisit ongoing projects and ensure that correct procedures are being followed.
<b>R2</b>	Identify all elements of regeneration projects that include payments made by partners and ensure that adequate arrangements are in place to obtain assurance that payments have been made and are on eligible activities.
<b>R3</b>	Ensure that all officers responsible for procurement are aware of the procurement rules in place for their projects and that they comply with them.
<b>R4</b>	Ensure that partners are aware of the procurement rules in place for their projects and put in place arrangements to monitor that they comply with them.
<b>R5</b>	Liaise with project partners to ensure that they provide data on project funding to the Council in line with the requirements for that particular claim.
<b>R6</b>	Ensure that all assets funded by grant are listed in an asset register where this is required by the grant paying body.
<b>R7</b>	Ensure that all queries raised by auditors are responded to within three working days. If auditors report that this target is not being met then appropriate remedial action should be taken by a senior officer.

## Adult, Community and Housing Services

- 16** The Council are required by Communities and Local Government (CLG) to complete a HRA subsidy base data return. This is used by CLG to calculate the Council's housing subsidy entitlement. The return includes data on the Council's housing stock which is classified in a number of different ways, such as by age, dwelling type, etc. Previous certification work had not identified any concerns but the return was qualified two years ago because a dwelling had been misclassified on the Council's housing stock database (a dwelling had been recorded as being a semi-detached property when it was a detached property). This error was corrected but needed to be reported to CLG because we were unable to conclude that it was an isolated error. The Council proposed to address this issue by performing a formal check of property type as part of the HomeCheck inspection process. However, this was not done in 2008/09 and this was reported to CLG in a qualification letter on the latest return. CLG has not taken any action in respect of this issue.

### Recommendation

- R8** A formal check of property type should be performed as part of the HomeCheck inspection process. This check should be applied to all dwellings and cover all stock data which has to be recorded on the HRA Subsidy Base Data Return

## Children's Services

- 17** The Council receive a Sure Start, Early Years and Childcare Grant from the Department for Children, Schools and Families (DCSF). A number of adjustments were made to this claim and it was subject to a number of qualifications. The key issues identified in respect of this claim are as follows.
- A number of items of expenditure had been included in the incorrect expenditure categories on the claim form. The claim was amended to correct the errors identified. The largest of the adjustments made was for £388k. The claim was qualified in respect of these expenditure misclassifications because we could not conclude that they were isolated errors.
  - In two instances, the Council passed on grant funding to partners and third parties but did not have adequate processes in place to monitor that the funding had been used for eligible purposes.
  - DCSF require all assets funded by grant to be listed in an asset register. Our sample testing found that eight out of ten assets funded by grant were not listed in an asset register.



## Findings

- Standing orders had not been complied with when contracts were placed with external suppliers for two items of expenditure out of a sample of ten. In one instance, three written quotes or formal tenders should have been obtained but there was no evidence that this was done. In the other instance, three verbal quotations should have been obtained but there was no evidence that this was done.
- 18** We experienced a number of delays in getting responses from officers to queries raised during our certification work. This resulted in the claim being certified after the certification deadline set by DCSF. This is an issue that needs to be addressed for future claims.

Recommendations	
<b>R9</b>	Review the expenditure coding on the general ledger to ensure that it is a reliable basis for identifying how expenditure should be classified on the claim.
<b>R10</b>	Identify all partners and third parties to whom grant funding is given and ensure that arrangements are in place to monitor that funding is used for eligible purposes.
<b>R11</b>	Ensure that all assets funded by grant are listed in an asset register.
<b>R12</b>	Remind managers with responsibility for procurement for works, goods and services of the Council's Standing Orders and their duty to abide by them. Managers should revisit ongoing projects and ensure that correct procedures are being followed.
<b>R13</b>	Ensure that all queries raised by auditors are responded to within three working days. If auditors report that this target is not being met then appropriate remedial action should be taken by a senior officer.

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## Control environment

- 19** For claims and returns over £500k 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. This means that the audit fees for certification work are reduced if the control environment is strong.

- 20 The summary of claims in Appendix 1 shows that we were not able to place reliance on the control environment for any of the Council's claims. This is largely due to the fact that previous years' work on most of the Council's claims results in them being amended and/or qualified. Appendix 1 shows that 14 of the 16 claims listed were either amended and/or qualified in 2008/09. In determining whether reliance can be placed on the control environment auditors are required to consider a number of factors. The table below lists these factors and a commentary which provides examples of why we have not been able to rely on the Council's control environment.

**Table 1      Assessing the control environment**

Expectation	Guidance	Commentary
Arrangements are in place to ensure claims and returns are completed accurately and in accordance with the scheme terms and conditions.	<p>A control environment upon which reliance can be placed is likely to include:</p> <ul style="list-style-type: none"> <li>• evidence of grant terms and conditions being identified and reviewed and action taken at an early stage to collect the information that will be required to demonstrate entitlement to grant;</li> <li>• comprehensive documentation;</li> <li>• ongoing monitoring of compliance with terms and conditions; and</li> <li>• monitoring and compliance with deadlines.</li> </ul>	<p>Testing has found:</p> <ul style="list-style-type: none"> <li>• arrangements for collecting information to demonstrate entitlement to grant, especially when payments have been made by partners, need to be improved; and</li> <li>• comprehensive documentation is not always in place, particularly in respect of compliance with procurement rules.</li> </ul>

## Findings

Expectation	Guidance	Commentary
Control arrangements, including internal financial control and internal audit, are in place.	<p>A control environment upon which reliance can be placed is likely to have:</p> <ul style="list-style-type: none"> <li>• cost codes for each claim/return, with controls over data posted from other systems/journals and reconciliations that ensure transactions are properly authorised and coded;</li> <li>• a coding structure tailored to the claim/return requirements;</li> <li>• procedures to demonstrate funding passed to third parties has been used for the intended purpose;</li> <li>• effective budgetary control and cash flow monitoring; and</li> <li>• for claims/returns based on complex financial systems, internal audit assurance that systems have operated satisfactorily over the period covered by the claim.</li> </ul>	<p>Testing has found:</p> <ul style="list-style-type: none"> <li>• improvements need to be made to the processes in place to record expenditure in the correct categories on the Sure Start claim; and</li> <li>• improvements need to be made to procedures to demonstrate that funding passed to third parties has been used for the intended purpose in respect of the Sure Start and regeneration project claims.</li> </ul>

Expectation	Guidance	Commentary
<p>Quality of Council's supporting working papers is good.</p>	<p>A control environment upon which reliance can be placed is likely to have working papers that include:</p> <ul style="list-style-type: none"> <li>• the date they were prepared and who prepared them;</li> <li>• the claim/return entries to which they relate including cross references to or copies of source documents;</li> <li>• copies of original approvals, variations and correspondence with the grant-paying body;</li> <li>• a reconciliation of the claim/return to the accounts including payments on account;</li> <li>• notes on the basis of any apportionments included;</li> <li>• a description of relevant internal controls;</li> <li>• a note of any relevant internal audit work; and</li> <li>• evidence to support expenditure included in the claim/return but incurred by another body.</li> </ul>	<p>Generally, working papers are of a good standard. However, there is scope for improvements to working papers. In particular, working papers should be expanded to include:</p> <ul style="list-style-type: none"> <li>• a description of relevant internal controls;</li> <li>• a note of any relevant internal audit work; and</li> <li>• evidence to support expenditure included in the claim/return but incurred by another body.</li> </ul>

## Findings

Expectation	Guidance	Commentary
<p>Preparers of claims have sufficient expertise and relevant knowledge and there is adequate supervision and review of their work.</p>	<p>A control environment upon which reliance can be placed is likely to have:</p> <ul style="list-style-type: none"> <li>claims/returns prepared by officers with appropriate expertise and knowledge of the scheme;</li> <li>pre-certification checks for arithmetic accuracy, completeness and reasonableness, including test checks to supporting records and review, by an officer not involved directly in the compilation process; and</li> <li>evidence of the review process and the steps the Council has taken to satisfy itself that the assurance provided by its certificate is well founded.</li> </ul>	<p>Generally, claims and returns are prepared by officers who have sufficient expertise and relevant knowledge. However, we have not seen evidence on working paper files of:</p> <ul style="list-style-type: none"> <li>pre-certification checks for arithmetic accuracy, completeness and reasonableness, including test checks to supporting records and review, by an officer not involved directly in the compilation process; and</li> <li>the review process and the steps the Council has taken to satisfy itself that the assurance provided by its certificate is well founded.</li> </ul>

Expectation	Guidance	Commentary
<p>Cumulative knowledge does not indicate that there are problems associated with compilation of the claim or return and there are no previous points arising. There are no known concerns expressed by the grant-paying body, nor any actions/decisions by the grant-paying body on previous qualification letters.</p>	<p>In a control environment upon which reliance can be placed:</p> <ul style="list-style-type: none"> <li>• there will be no significant issues which are ongoing or recurrent;</li> <li>• effective action will have been taken to address previous points arising including concerns expressed by the grant-paying body and grant-paying body actions/decisions following previous qualifications letters.</li> </ul>	<p>The previous section of this report has detailed the reasons for amendments and qualifications to claims in 2008/09. There are a number of issues which need to be addressed if the control environment is to be improved and appropriate recommendations have been made. However, it should be noted that we have seen evidence of the Council responding to issues raised previously. For example, the Teachers Pensions claim was qualified for a number of years because of weaknesses in arrangements for obtaining assurance in respect of pension contributions deducted by third parties. Audit Services performed testing on these third party pension contributions in 2008/09 which enabled the claim to be certified without qualification.</p>
<p>Where a comparison of expected with actual outcomes identifies unexpected variances, these can be explained and corroborated.</p>	<p>In a control environment upon which reliance can be placed the Council will have performed its own comparison in advance of the auditor's certification work and will provide the results of this work to the auditor along with the claim.</p>	<p>We have not seen evidence that this has been done for any claims or returns.</p>

### Recommendation

**R14** Working papers submitted with claims and returns should be expanded to include:

- a description of relevant internal controls;
- a note of any relevant internal audit work, including for claims/returns based on complex financial systems, internal audit assurance that systems have operated satisfactorily over the period covered by the claim;
- evidence to support expenditure included in the claim/return but incurred by another body;
- evidence of pre-certification checks for arithmetic accuracy, completeness and reasonableness, including test checks to supporting records and review, by an officer not involved directly in the compilation process;
- evidence of the review process and the steps the Council has taken to satisfy itself that the assurance provided by its certificate is well founded; and
- a comparison of expected with actual outcomes which identifies unexpected variances and provides evidence that explains and corroborates them.

# Appendix 1 – Summary of 2008/09 certified claims

## Finance, ICT and Procurement

Claim	Value £000	Adequate control environment	Amended	Qualification letter	Certification fee £000
Housing and council tax benefit	94,536	n/a (see note below)	Yes	Yes	49
National non-domestic rates	90,462	No	No	Yes	13
Teachers pensions	20,861	No	No	No	9

*Note - auditors do not assess the adequacy of the control environment for the preparation of the housing and council tax benefit claim to decide whether or not they can place reliance on it. This is because the certification process agreed between the Audit Commission and the Department for Works and Pensions for this claim does not allow for reliance to be placed on the control environment*

## Department of Urban Environment

Claim	Value £000	Adequate control environment	Amended	Qualification letter	Certification fee £000
Brierley Hill Sustainable Access Network	7,309	No	Yes	Yes	3
Waterfront revenue (ERDF)	3,855	No	Yes	Yes	15
Waterfront capital (ERDF)	1,029	No	No	Yes	3
Advancing tourism 1.08 (ERDF)	1,116	No	Yes	Yes	8



## Appendix 1 – Summary of 2008/09 certified claims

Claim	Value £000	Adequate control environment	Amended	Qualification letter	Certification fee £000
CAFFE (ERDF)	702	No	Yes	Yes	7
Dudley and Sandwell business parks (ERDF)	1,417	No	Yes	Yes	13
Dudley and Sandwell business parks (AWM)	77	No	Yes	Yes	2
Dudley Townscape Heritage Initiative (AWM)	10	No	Yes	No	TBC

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### Adult, Community and Housing Services

Claim	Value £000	Adequate control environment	Amended	Qualification letter	Certification fee £000
Housing subsidy	17,236	No	Yes	No	6
HRA subsidy base data return	n/a (see note below)	No	Yes	Yes	8
Pooled housing capital receipts	2,411	No	No	Yes	2
Disabled facilities	2,012	No	No	No	6

*Note - this return contains data which is used by Communities and Local Government to calculate subsidy entitlement. This data return does not record the value of subsidy entitlement*

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**Children's Services**

<b>Claim</b>	<b>Value £000</b>	<b>Adequate control environment</b>	<b>Amended</b>	<b>Qualification letter</b>	<b>Certification fee £000</b>
Sure start, early years and childcare grant	9,730	No	Yes	Yes	11

# Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Claims and Returns Report 2008/09 - Recommendations</b>						
<b>DUE claims</b>						
7	R1 Remind managers with responsibility for procurement for works, goods and services of the Council's Standing Orders and their duty to abide by them. Managers should revisit ongoing projects and ensure that correct procedures are being followed.	2	Head of Regeneration Strategy (HRS)	Agreed	HRS to ensure all Project Managers are aware of duty to comply with Standing Orders and Grant Awarding Bodies' contractual requirements. This also to include Partners and Third Parties who may be delivering elements of project/s.	Immediate
7	R2 Identify all elements of regeneration projects that include payments made by partners and ensure that adequate arrangements are in place to obtain assurance that payments have been made and are on eligible activities.	3	Project Managers	Agreed	Project Managers will need to provide required evidence of eligibility to support any claims for grant. These will not be submitted unless evidence provided.	Immediate
7	R3 Ensure that all officers responsible for procurement are aware of the procurement rules in place for their projects and that they comply with them.	2	HRS/ Project Managers	Agreed	Project Managers will need to be fully aware of procurement rules from outset of project.	Immediate

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R4 Ensure that partners are aware of the procurement rules in place for their projects and put in place arrangements to monitor that they comply with them.	2	Project Managers	Agreed	Unless procurement rules are acknowledged and adhered to, claims cannot be made on a Partner's behalf.	Immediate
7	R5 Liaise with project partners to ensure that they provide data on project funding to the Council in line with the requirements for that particular claim.	2	Project Managers	Agreed	Partners to be made aware of contractual requirements at outset of project, to be included within SLA's and Project Managers to monitor throughout the project. Claims will not be able to be submitted unless such information is provided.	Immediate
7	R6 Ensure that all assets funded by grant are listed in an asset register where this is required by the grant paying body.	2	Project Managers	Agreed	Project Managers will monitor and update at least quarterly.	Immediate
7	R7 Ensure that all queries raised by auditors are responded to within three working days. If auditors report that this target is not being met then appropriate remedial action should be taken by a senior officer.	3	Project Managers/ Accountancy	Agreed	The ability to respond within three working days will depend on the complexity of the queries concerned.	Immediate

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Housing base data return</b>						
8	R8 A formal check of property type should be performed as part of the HomeCheck inspection process. This check should be applied to all dwellings and cover all stock data which has to be recorded on the HRA Subsidy Base Data Return.	3	Assistant Director (Housing Management)	Agreed	It was originally proposed that the check of property type would be added to the HomeCheck process and this has been agreed. All homes will be inspected on a three-year cycle. Implementation of the recommendation has been delayed because the HomeCheck process is being automated to use hand-held devices and direct data entry, and the property type check will be included when the automated process begins.	See comments
<b>Sure start, early years and childcare grant</b>						
9	R9 Review the expenditure coding on the general ledger to ensure that it is a reliable basis for identifying how expenditure should be classified on the claim.	3	Alan Shakespeare -Children's Services Principle Accountant/ Donna Farnell - Childcare Strategy Manager	Agreed	<p>The large misclassification identified on the Audit report (£388k) was due to a misunderstanding of the services provided at a particular Children's Centre which would have defined the project in question as either a Children's Centre or an Integrated Project. This was not the result of a general ledger coding error.</p> <p>Accountancy carries out monthly budget monitoring and liaises with budget holders on a regular basis with a view to maximising grant expenditure as well as trying to ensure that all charges are coded correctly.</p>	Immediate

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R10 Identify all partners and third parties to whom grant funding is given and ensure that arrangements are in place to monitor that funding is used for eligible purposes.	3	Donna Farnell/ Alison Charley – Business Performance & Monitoring Manager	Agreed	All partners and third parties who are supported by the SSEYCG are required to complete either an SLA or an application for grant, followed by a grant agreement; this is monitored on a quarterly basis for SLA's and at least once per year for grants such as early years capital – quality and access, where resources are purchased. We will ensure that monitoring is recorded as and when it takes place and that eligibility is confirmed.	Immediate
9	R11 Ensure that all assets funded by grant are listed in an asset register.	2	Donna Farnell/Martin Yates	Agreed	Large capital programmes are recorded on the Council's asset register e.g. Children's Centres. We understand it is not clear from the asset register that a school may have a children's centre on their site. For clarity we will therefore ensure that children's centres will be clearly identifiable on the asset register. Details of all equipment and resources paid for by grant, is held centrally by the team; we are currently supported by DCS purchasing team. Work is being undertaken to ensure that an accessible asset register is in place.	Immediate

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R12 Remind managers with responsibility for procurement for works, goods and services of the Council's Standing Orders and their duty to abide by them. Managers should revisit ongoing projects and ensure that correct procedures are being followed.	2	Donna Farnell/Denise Jarrett - Early Years Strategy Manager/Christine Russell - Extended Services Strategy Manager	Agreed	All grants awarded where resources and goods and services are purchased or procured as per above, we consult and are supported by DCS Purchasing Team when either tendering or procurement is necessary. Processes are in place to ensure regular monitoring of projects is undertaken we will also ensure that this is recorded.	Immediate
9	R13 Ensure that all queries raised by auditors are responded to within three working days. If auditors report that this target is not being met then appropriate remedial action should be taken by a senior officer.	3	Donna Farnell/Denise Jarrett/Christine Russell	Agreed	All queries raised by auditors will in future be addressed in good time. If the appropriate officer is unavailable; we will ensure that responses will be actioned by another senior officer within the team as soon as possible.	Immediate

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<b>General</b>					
15	<p>R14 Working papers submitted with claims and returns should be expanded to include:</p> <ul style="list-style-type: none"> <li>• a description of relevant internal controls;</li> <li>• a note of any relevant internal audit work, including for claims/returns based on complex financial systems, internal audit assurance that systems have operated satisfactorily over the period covered by the claim;</li> <li>• evidence to support expenditure included in the claim/return but incurred by another body;</li> <li>• evidence of pre-certification checks for arithmetic accuracy, completeness and reasonableness, including test checks to supporting records and review, by an officer not involved directly in the compilation process;</li> <li>• evidence of the review process and the steps the Council has taken to satisfy itself that the assurance provided by its certificate is well founded; and</li> <li>• a comparison of expected with actual outcomes which identifies unexpected variances and provides evidence that explains and corroborates them.</li> </ul>	3	Corporate Finance	Agreed	A working paper checklist, including the requirements outlined in the recommendation, will be developed. Completion of this checklist will be required prior to authorisation of claims and returns.	Immediate



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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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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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