



Manchester City Council

Grants Report 2008-09

6 January 2010

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1 Executive summary

Introduction

- 1.1 The Council received 30 grant claims and returns from government departments and other bodies requiring external audit certification in 2008-09, representing income in excess of £618 million.
- 1.2 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 A summary of all claims and returns subject to certification is provided at Appendix B, together with the certification fee and outcome of our review.
- 1.7 The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification:

- amounts claimed below £100,000 - no certification
- amounts claimed between £100,000 - £500,000 - agreement to underlying records
- amounts claimed over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	The majority of claims were submitted on time to audit, and 90% of claims were certified within the required deadline.
Accuracy of claim forms submitted to audit Amendments and qualifications	Thirteen claims required amendment, three of which resulted in an overall decrease of funding of £18,000, in the context of total funding of £618m. The Housing and Council Tax Benefit return required qualification with a potential impact of reducing funding by £30,000 and one Northwest Development Agency claim required qualification due to no supporting evidence for all other sources of funding included within the project. The Council should ensure accurate compilation of claims to minimise the risk of audit adjustments and additional work.
Working papers to support claims and grant preparer availability	Working papers and availability of the grant preparer for the majority of claims and returns was good, which enabled audit certification within the deadlines. However, our review of the Pooling Housing Capital Receipts return identified a need to improve working papers to support the deduction of allowable administrative costs.

The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional audit fees.
- 1.10 The new use of resources assessment in 2009 required auditors to consider the results of certification work when undertaking the Use of Resources assessment including, in particular, the impact of housing benefit and council tax testing on data quality. The 2010 assessment will be further integrated with grant certification work, including consideration of the outcome of a wider range of grant claims.

Acknowledgements

- 1.11 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

6 January 2010

2 Detailed findings

Introduction

- 2.1 This section of the report summarises the main issues arising from the certification of grants and returns in 2008-09. Further details of the individual grants that have been certified are provided at Appendix B and the Action Plan at Appendix C sets out our recommendations and improvement opportunities arising from the certification of individual grants.

Performance against targets

- 2.2 Exhibit Two summarises the Council's performance against key certification performance targets for the 30 claims and returns submitted to audit in 2008-09, compared to 31 claims and returns in 2007-08:

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2008-09		Achievement in 2007-08		Direction of travel
		No.	%	No.	%	
Number of claims submitted on time	100%	24	80	27	87	↓
Number of claims certified on time *	100%	27	90	21	68	↑
Number of claims amended by the auditor	0%	13	43	7	23	↓
Number of claims qualified by the auditor	0%	2	7	4	13	↑
Number of claims for which certification fee exceeded budget	0%	1	3	1	3	→

* the certification deadline is that prescribed by the grant paying body as advised by the Audit Commission, or if a claim is received after the submission deadline, within three months of receipt.

- 2.3 This analysis of performance against targets shows that:
- the number of claims submitted on time is high, but has deteriorated slightly from the prior year
 - the number of claims certified on time has improved. This enhanced performance is due to good working papers and availability of grant preparers to assist the certification

process. This enabled the majority of claims, including those submitted late, to be certified on time

- the number of amendments has increased in 2008/09. Three of these amendments impacted on the amount of grant received by the Council, with an overall decrease of in funding of £18,000. The other amendments did not impact on funding
- the number of audit qualifications has reduced significantly. In 2008/09 a qualification letter was issued in relation to Housing and Council Tax Benefits, which is common given the nature of the audit approach. However, this qualification letter showed an improvement on 2007/08 with fewer reporting points. For further details on the certification of this claim see paragraph 2.16. One Northwest Development Agency claim required qualification due to no supporting information for all other sources of funding. We are pleased to report that issues that were the subject of qualification letters last year have been addressed in 2008/09.

- 2.4 We charged a total fee of £124,710 against a budget of £125,000 for the certification of claims and returns in 2008-09. Details of fees charged for specific claims are included within Appendix B.

Management arrangements

- 2.5 Good arrangements are required for successful management of the certification of grant claims and returns. The results of our review of aspects of the management arrangements in place are set out below. Associated recommendations for improvement are included at Appendix C.

Grants co-ordination

- 2.6 In 2008/09 the Council had a dedicated grants co-ordinator for the management of the submission of all claims. The grants co-ordinator liaised well with us to identify and ensure claims were submitted in accordance with the deadlines. However, some claims were received after the deadline due to specific delays in the compilation of the claims by the departments. Grants co-ordination arrangements have been strengthened through the issue of a revised grants protocol on 30 September 2009 to all Heads of Finance, who are responsible for cascading this throughout their teams.

Compilation procedures

- 2.7 The Council prepared accurate claims and returns in most instances, which are independently reviewed by a senior officer using an external audit control sheet. Our review identified thirteen claims which required amendment. The amendment of claims impacts on the level of time and resources incurred by both the Council and external audit. Grant claim preparers should ensure they consult the relevant guidance notes when compiling claim forms in order to reduce the level of amended claims and should particularly ensure:
- the amount of eligible grant agrees to offer letters and that any amendment is formally agreed in writing with the government body and included on the audit files
 - the amount of grant received up to the date of signing of the claim or return is correctly included.

Quality of working papers

- 2.8 The majority of claims and returns received were supported with a good working paper file, which includes standard contents to aid the certification process. Good supporting working papers enabled the majority of claims to be certified within the deadline. Additional requests for working papers were acted upon quickly by the grant preparers.

Sign off arrangements

- 2.9 The Council's revised grants protocol requires all claims to be signed by the City Treasurer prior to submission to audit. In the City Treasurer's absence other responsible officers are able to sign claims in accordance with the Council's scheme of delegation.

Submission procedures

- 2.10 Overall the Council has performed well in the submission of claims and returns in accordance with prescribed deadlines. Six claims were submitted late to audit and departments should be reminded that the deadline relates to date of receipt by external audit, and that delays may impact on our ability to certify claims by the required government department deadline and may result in possible sanctions and penalties from grant paying bodies. Grant preparers should allow sufficient time for review, sign off and posting of claims.

Officer availability

- 2.11 Each grant claim or return is assigned to a responsible officer - the grant preparer. The grants co-ordinator maintained an up to date list of grant preparers and we are pleased to report that their availability for all claims and returns was good, enabling the majority of claims to be certified within the deadlines.

Significant findings in relation to individual claims and returns

- 2.12 A summary of all claims and returns we have certified is attached at Appendix B, together with the certification fee and outcome of our review.

- 2.13 Of the claims and returns submitted for certification the most significant findings were in relation to the following claims:

- Housing and Council Tax Benefit
- Pooling Housing Capital Receipts
- Northwest Development Agency.

- 2.14 Recommendations for improvement are included at Appendix C where appropriate.

Housing and Council Tax Benefit

- 2.15 Housing and Council Tax Benefit is the most significant return requiring certification, generating income of £249m subsidy. Subsidy arrangements are complex and significant Council time is required to compile the return, ensure its accuracy and aid the certification process.

- 2.16 A separate audit approach has been developed by the Audit Commission for the certification of this return. We carried out our work in accordance with this approach and are pleased to report that the performance of the Council was good, with only one subsidy error identified. Where we identify errors we are required to test a further sample of 40

cases. We are also required to carry out testing on an additional 40 cases for errors reported in the prior year. Results of this extended testing are reported within a qualification letter to the Department for Works and Pensions and extrapolated across the total population to identify possible error. There is no requirement to amend the claim. The samples reported in the qualification letter were due to incorrect classification of overpayments within the subsidy claim. Different categories attract different levels of subsidy, with a potential error of £30,000 subsidy over claim.

Pooling Housing Capital Receipts

- 2.17 We spent a significant amount of time confirming the eligibility of administrative expenses deducted from the total pooled receipts. This led to an audit budget overrun and an amendment to the return to increase the contribution to the pool by £55,000. The Council should ensure administrative costs deducted from the claim are allowable and are supported by a clear audit trail.

Northwest Development Agency Claims

- 2.18 The World Swimming Championships required a qualification letter as the Council was unable to evidence all other sources of funding included within the project. The Council should maintain adequate records in order to enable accurate completion of all claims.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £100,000 - no certification required
- for amounts claimed above £100,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - certifying that the claim agrees to underlying records of the Council and an assessment of the control environment. Where reliance is not placed on the control environment, detailed testing is performed.

Roles and responsibilities

The following table sets out the roles and responsibilities of the parties involved in the certification of claims and returns.

Party	Role and responsibility
Grant paying body	Sets grant conditions and the deadlines for submission of the pre-certificated and certified claim
Audit Commission	Issues certification instructions
Council	Submits claims and returns to the Appointed Auditor within grant paying body submission deadlines. Ensures adequate documentation is maintained to support compilation of claims and returns.
Appointed Auditor	Certifies claims in accordance with Audit Commission instructions and within certification deadlines.

Scope

We assess the Council's arrangements for submission of grant claims for certification. We do not review the Council's wider arrangements for managing external funding or maximising its entitlement to external funding.

B Details of claims and returns certified in 2008-09

Claim	Claim value (£)	Amended? Y/N	Amendment value (£)	Qualified?	Actual fee (£)
Housing and Council Tax Benefit	248,802,827	N	NA	Y	35,000
General Surestart Grant	18,367,249	Y	13,010	N	4,670
National Non Domestic Rates	261,796,020	N	NA	N	4,770
Teachers Pension Return	27,317,791	Y	0	N	4,160
Pooling Housing Capital Receipts	5,119,943	Y	(55,164)	N	6,080
Disabled Facilities	2,669,000	N	NA	N	2,410
HRA Subsidy Base Data Return	NA	Y	NA	N	4,270
LSC Funding of Further Education	4,449,264	N	NA	N	4,410
HRA Subsidy	31,937,055	Y	23,870	N	6,170
New Deal for Communities	2,317,705	N	NA	N	4,090
Local Transport Plans: Major Projects	3,000,000	Y	NA	N	2,280
NWDA Claims (19 in total)	12,394,396	Y (7 in total)	NA	Y (1 in total)	36,200
Administration and reporting					10,200
TOTAL	618,171,251		(18,284)		124,710

C Action plan

Ref	Administrative Arrangement/Claim	Recommendation	Priority	Management response and implementation details
2.3, 2.6 & 2.10	Submission of claims and returns	The Council and grants co-ordinator should ensure claims are submitted on time to audit to minimise delays in certification of claims, which could lead to the imposition of financial penalties by government departments	Medium	Agreed. Steve Carey - covered in Grants Protocol.
2.3 & 2.7	Compilation of claims and returns	The council should ensure accurate compilation of claims to minimise the risk of audit adjustments and additional work.	Medium	Agreed. Steve Carey - covered in Grants Protocol.
2.9 and 2.17	Pooling Housing Capital Receipts	The Council should ensure administrative costs deducted from the claim are allowable and are supported by a clear audit trail	Medium	Agreed. Paul Hindle - to be built into action taken for next claim cycle in June 2010.



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