



Grants Action Plan Update - 2008/2009

SUMMARY

- 1.1 The updated action plan shows progress against the 2008/09 Grants audit recommendations. The action plan consists of 16 recommendations, against which progress is being tracked.

RECOMMENDATION

- 2.1 To note the progress made on the Grants action plan 2008/2009.

REASONS FOR RECOMMENDATION

- 3.1 Audit & Accounts Committee request regular updates on performance against audit action plans

SUPPORTING INFORMATION

- 4.1 The 2008/09 grants audit report from Grant Thornton was published on 22 March 2010, together with the action plan to address the observations/recommendations made in the report. Officers have given an initial management response followed by follow up responses in July 2010 and September 2010 to ensure actions are being implemented. This also aids the staged approach recommended in the audit report.
- 4.2 Appendix 2 provides a detailed update on progress made against the actions.

OTHER OPTIONS CONSIDERED

- 5.1 Not applicable

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Martyn Marples – Director of Finance & Procurement
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For more information contact: Background papers: List of appendices:	Chloe Kenny, Corporate Group Accountant, 01332 255219 e-mail: chloe.kenny@derby.gov.uk None Appendix 1 – Implications Appendix 2 – 2008/09 Grant audit progress report
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IMPLICATIONS

Financial

1.1 None directly arising

Legal

2.1 None directly arising

Personnel

3.1 None directly arising

Equalities Impact

4.1 None directly arising

Health and Safety

5.1 None directly arising

Carbon commitment

6.1 None directly arising

Value for money

7.1 None directly arising

Corporate objectives and priorities for change

8.1 The areas that are to be subject to external audit or inspection are generally relevant to delivery of corporate objectives and priorities.

D Action plan

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
1	Management arrangements - paragraph 2.8	<p>The Council does not have a grants register co-ordinator.</p> <p>We recommend that the Council identifies an individual for this role so that we have a key point of contact when making arrangements to undertake our certification work.</p>	Medium	<p>The Corporate Group Accountant is to take on the role of the grants coordinator supported by nominated audit liaison officers in each area..</p> <p>The grants claim procedure note is being updated and will be made available by 31 March 2010. This will make it clear what the respective roles of the grants coordinator and key grants audit liaison officer roles are, and will include a grants completion checklist.</p> <p>Responsible officer - Chloe Bowes</p> <p>Implementation date - 31 March 2010</p>	<p>Procedure note in place but needs updating.</p> <p>July update</p> <p>The grant co-ordinator role will be undertaken by the Corporate Group Accountant. Service Group Accountants are the nominated audit liaison officer in each service area.</p> <p>September update</p> <p>Implemented.</p>

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2	Management arrangements - paragraph 2.8	We recommend that the Council sets targets for completion of stages in claim and return compilation which will ensure that the relevant officers are available to complete the claims and returns by the targets.	Medium	<p>Key targets will be incorporated into the grants register currently being updated. These will be set and managed by the nominated grant claims lead accountants for each area and monitored by the Corporate Group Accountant as nominated coordinator.</p> <p>From 2010/11 performance will be reported as part of the monthly control framework report.</p> <p>Setting targets Responsible officers - grants claims lead accountants Implementation date - 30 April 2010</p> <p>On-going monitoring Responsible officer - Chloe Bowes Implementation date - to be in place for month 1 reporting May 2010</p>	<p>July update The grant register is still in the process of being updated.</p> <p>Target stage completion is being managed by individual lead accountants in preparation for grant completions in September 2010.</p> <p>Monitoring progress will be reported from September 2010 to align with completion of grant claims.</p> <p>September update July 2010 management responses on key audit risks have aided the tracking of progress.</p> <p>Individual stage targets have been followed by lead accountants.</p> <p>Monitoring progress due by end September 2010.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
3	Management arrangements - paragraph 2.11	<p>Claims are signed off by the compiler/preparer and then in most cases they are subject to an informal review by another officer.</p> <p>We recommend formalising the process by introducing checklists to ensure that the appropriate work has been performed/reviewed, thereby allowing the claim to be submitted.</p>	Medium	Will be incorporated into procedure at ref 1 – see management response above.	<p>July update A draft checklist has been prepared and will be used as the final check for submitted 09/10 claims prior to audit.</p> <p>September update The grant co-ordinator will sign the checklist off by the end of September 2010.</p>
4	BEN01 - Housing and Council Tax Benefits Scheme	<p>All figures presented within the claim form are required to be fully supported with an audit trail from the Academy system.</p> <p>Testing identified that the balance presented for uncashed cheques could not be supported. This resulted in a reduction to cell 010 (balance now owed to or by the Council) of £3,834.</p> <p>We recommend that the Council ensures that all figures presented in the claim form are supported with an audit trail from the Academy system.</p>	Low	<p>The imbalance arose because of a functional error in the Housing Benefit and Council Tax Benefit system. This has now been corrected.</p> <p>In addition we now carry out comprehensive checks on the content of cell 179s which details all individual prior year uncashed cheques. This will provided the necessary audit trial</p> <p>Responsible officer - Maurice Curtin Implementation date - by 31 March 2010</p>	<p>July update Comprehensive checks on the content of cell 179s which details all individual prior year uncashed cheques. This will provide the necessary audit trail.</p> <p>September update Already implemented.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
5	BEN01 - Housing and Council Tax Benefits Scheme	<p>Testing of Rent Allowances identified an error in the categorisation split for those claimants who have both a current year and prior year overpayment cell. Due to the nature of this error, the impact of this error could not be quantified across the 1,490 affected cases, as reported in our qualification letter.</p> <p>It was concluded that the Academy system was not automatically classifying the overpayment between current year and prior year and we recommend that the Council raises this matter with Academy.</p> <p>In addition, we recommend that the Council should perform sample checks across overpayment cells to determine whether this issue is continuing to occur in 2009/10.</p>	Medium	<p>The functional error in the Academy systems has now been corrected</p> <p>However, due to the complexity of prior year / current year overpayments it is not always possible for our software to accurately allocate the subsidy between prior year and current year. An exception report is produced for those cases where it is not clear which year to allocate the overpayment. We now check this report and manually allocate the overpayment to the correct year.</p> <p>Responsible officer - Maurice Curtin Implementation date - completed November 2009</p>	<p>July update An exception report is produced for those cases where it is not clear which year to allocate the overpayment. We now check this report and manually allocate the overpayment to the correct year.</p> <p>September update Already implemented.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
6	BEN01 - Housing and Council Tax Benefits Scheme	<p>Testing identified that the 'Change of Address' indicator (CoA) had not been flagged consistently in Academy by claim assessors for claimants who changed property during the year. This resulted in the eligible payments for the new and old properties being incorrectly netted off, which appeared to causing an underclaim on the sampled cases.</p> <p>As a report could not be generated from the Academy system to identify the affected population, the impact of this error could not be quantified and was reported in our qualification report.</p> <p>We recommend that the Council trains all of its assessors on the use of the CoA function to prevent this error reoccurring and that sample checks be introduced to ensure compliance.</p>	Medium	<p>We have carried out training of all Housing Benefit assessment staff to make sure the change of address indicator has been populated where appropriate.</p> <p>We now carry out quality checks to monitor the effectiveness of the training. Identifying relevant cases has proved difficult but we have recently carried out some additional sampling which will give us better quality data for checking.</p> <p>Responsible officer - Maurice Curtin Implementation date - completed (Training - January 2010, Checking - March 2010)</p>	<p>July update</p> <p>We have carried out training of all Housing Benefit assessment staff to make sure the change of address indicator has been populated where appropriate.</p> <p>We now carry out quality checks to monitor the effectiveness of the training. Any errors found will be corrected and further staff guidance given if appropriate.</p> <p>September update</p> <p>Already implemented.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
7	BEN01 - Housing and Council Tax Benefits Scheme	<p>Testing of Non HRA (homeless board and lodge) cases identified a number of cases which had been incorrectly classified. Extended testing confirmed that the headline cell was understated by £480.</p> <p>We recommend that the Council thoroughly reviews all property types included within Non HRA to ensure that the correct rate of subsidy is being claimed.</p>	Medium	<p>We are now undertaking checks in relation to Non HRA claims to ensure that correct subsidy is being claimed.</p> <p>Responsible officer - Maurice Curtin Implementation date - completed February 2010</p>	<p>July update We have carried out training of all Housing Benefit assessment staff to make sure that these cases are now classified correctly. In addition amendments to the Academy system now help to prevent this type of error occurring.</p> <p>September update Already implemented.</p>
8	BEN01 - Housing and Council Tax Benefits Scheme	<p>Testing identified a number of cases, affecting all categories, where the overpayment cell had been misclassified.</p> <p>This resulted in extended testing for which the results were extrapolated, contributing to a total net reduction of £481,529 across the overpayment cells.</p> <p>We recommend the Council provides training to all staff on the classification categories for overpayment cells.</p>	High	<p>We have carried out training of all Housing Benefit assessment staff to make sure that overpayments are now classified correctly.</p> <p>Responsible officer -Maurice Curtin Implementation date - completed January 2010</p>	<p>July update We have carried out training of all Housing Benefit assessment staff to make sure that overpayments are now classified correctly. We also carry out quality checks on these types of cases and any errors found will be corrected and further staff guidance given if appropriate.</p> <p>September update Already implemented.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
9	HOU02 - HRA Subsidy Base Data	<p>The average interest rate per the claim form (cell F005cc) was recorded as 4.73%, however this did not equal the actual rate of interest charged by the Council of 4.80%. This issue contributed to the Base Data return being qualified.</p> <p>We recommend that more thorough review procedures are incorporated into the Council's pre-submission procedures to ensure that similar errors are minimised.</p>	Medium	<p>Confirmation of the rate as at the CLG Guidance date of 1 August 2009 was sought from Council records. The figure given (and used in the claim) was 4.73%. However at a review carried out in March 2009, the local average rate was actually determined as 4.8% but a decision was taken not to alter the local rate charged since the difference was considered to be negligible. Hence the rate given to be used in the claim was 4.73%. We will ensure "correct" local average rate is used in future returns.</p> <p>Responsible officer - Peter Morris/Keith Dalton Implementation date - August 2010 (return deadline)</p>	<p>July update</p> <p>As stated in the report, we will ensure that the correct interest rate is used. The Taxation Manager must ensure that we are using the latest statutory rate even if this means that work must be carried out for a relatively small amount and the system has to be amended and the mortgagors informed.</p> <p>Some delay in implementation.</p> <p>September update</p> <p>Agreed to review the rate in August, give the required 3 months notice to mortgagors and implement the new rate on expiry of the notice period. Keith Dalton is implementing the change and the mortgagors will be charged the correct rate with effect from 1 December 2010.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
10	HOU02 - HRA Subsidy Base Data	<p>The claim submitted for certification included a number of classification errors¹. These misclassifications contributed to the Base Data return being qualified.</p> <p>We recommend that the figures taken from the system, which were used to populate the claim, are checked to supporting documentation to validate their accuracy prior to submission for certification.</p>	Medium	<p>Accepted.</p> <p>In addition, for 2009/10, we have agreed with Grant Thornton that a pre-certification planning meeting will be held specifically for the HOU02 submission to confirm evidence requirements and visit logistics.</p> <p>Responsible officers - Peter Morris/Lorraine Watson/Jonathan Webster Implementation date - August 2010 (return deadline)</p>	<p>July update</p> <p>There will be a pre-certification meeting arranged between our auditors and appropriate officers. This meeting will be arranged to take place as soon as possible before the claim return deadline of 31 August. The meeting has now taken place at Derby Homes Offices on 2 July and was attended by 4 external auditors, 3 officers from the Council and 3 officers from Derby Homes. It seems that some issues are still ongoing:</p> <ul style="list-style-type: none"> Incorrect classifications – useable floor area etc – surveyors reports not reconciling to Keystone (asset management) system. This is due to the Keystone system having been newly introduced in 2009/10 and migration of data from the Academy Housing System is not complete and nor have adequate interfaces between the two systems been developed yet. So incorrect classifications may still occur but they should diminish/be eliminated as and when data transfer is complete and the two systems interface properly.□

¹ 7 of 32 properties, the floor space per the surveyors report did not reconcile to the Council's Keystone housing system; 1 of 32 properties was held in the incorrect age band as a 1945-64 property rather than a post 1974 property; 1 of 32 flats was incorrectly classified as a low rise flat, but was actually a medium rise flat; 2 of 32 flats were incorrectly classified as a 1 bedroom dwelling but were actually 2 bedroom flats.

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
10	Cont'd				<ul style="list-style-type: none"> Other classification difficulties could continue to occur due to the lack of/absence of prime records in respect of age, type etc of dwelling – there appears to be no way round this although it has been agreed that collaborative meetings will be held throughout the completion and audit of the return so that we can present what we have to GT and discuss its acceptability. <p>A previous exercise where all dwelling types were surveyed and used create plans where none existed should be useful here having been agreed in some detail with Grant Thornton.</p> <p>It was also agreed that staff from Derby Homes who would be working on the return for the first time would be shown the return prior to them supplying/completing information so that they could be aware of the requirements, including the particular importance of ensuring that dwelling numbers are correct given that Derby will probably be coming out of the HRA Subsidy system as from April next year</p> <p>This meeting has now taken place where the return was examined in some detail with two officers from Derby Homes and data requirements discussed.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
10	Cont'd				<p>It was agreed that some self-testing and sampling would be carried out in a bid to ensure accuracy together with comparisons with the previous year's return. It was agreed that an attempt should be made to complete the return by 16 August – 2 weeks before the submission deadline. This would allow time for DCC and DH officers to meet and perform final checks etc and ensure everything was filed and documented ready for when the auditors arrive in mid September.</p> <p>At that time it was agreed to comply with an audit request that the file would be ready for presentation on their arrival and that relevant people from both organisations would be available.</p> <p>September update The 2010 return has now been completed and submitted to CLG. The claim is subject to external audit by 10 October. There may be qualification(s) to the return as outlined in the preceding paragraphs (mortgage interest rate and property classifications)</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
11	LA01 - National Non Domestic Rates Return	<p>Testing identified one instance where the Council's Academy NNDR system calculated transitional relief using incorrect figures. This resulted in an overstatement occurring in line 3.(i) of £2,884.12.</p> <p>We discussed this with officers and, while we are satisfied that this was not a systematic issue, we recommend that the figures taken from the Council's system, which are used to populate the claim, be checked to supporting documentation to validate their accuracy prior to submission for certification.</p>	Low	<p>It is accepted that there is a need to perform a small amount of sample checking to verify the figures being used to populate the return. The size of the sample should not be set but should be sufficient to allow us to be confident that the system generated figures are accurate. Additional procedures have been introduced and system generated figures will be independently checked and verified, signed and dated by the checking officer.</p> <p>Responsible officer - John Massey Implementation date - completed</p>	<p>July update When the audit of the NNDR3 raised this issue in 2008/09 it was agreed that it was not a systematic failure.</p> <p>The NNDR 3 return is system generated and every time a change is made the value of the transaction is written to the on-line form.</p> <p>As part of the process for completing the form a colleague from the NNDR team sample checks a small amount for each transaction code for each cell. Given the number of codes and a small resource the sample size for each code was small.</p> <p>As the value of relief is automatically calculated, based upon parameters input, then providing the parameters have been input correctly this system control should ensure that all reliefs of the same type should be calculated in the same way. Therefore a relatively small sample size should be sufficient.</p> <p>The sample has been checked by a team member, so not independently checked in all cases as the team member may have checked his own work, although at least 2 out of 3 checks are likely to be on the work of others. Although the team is small separation of duties will be incorporated into future checks.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
11	Cont'd				<p>To summarise, the checking carried out is on two levels</p> <ol style="list-style-type: none"> 1. check the parameters to ensure they are right 2. A small sample check of individual transactions. <p>September update Ongoing implementation of checks as per July update.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
12	RG03 - New Deal for Communities	<p>Although the Derwent Community Team receive Quarterly Monitoring Returns from the projects (together with a general ledger download for NDC elements of spend), the returns are not supported by prime documents (such as paid invoices, contract payments) which would enable the authority to test the eligibility of receipts and payments as required by the paying department. This issue was reported within our qualification letter to CLG.</p> <p>We recommend that the Derwent Community Team obtains appropriate prime documentation that can be made available at audit to validate the eligibility of all receipts and payments.</p>	High	<p>As part of the Quarter 4 monitoring return for 2009/10 each project is being asked to send additional supporting information back attached to the Itemised Statement of Grant Expenditure (ISGE) including prime documents such as invoices, receipts, timesheets and evidence to support any match funding received by the project during 2009/10.</p> <p>This will allow Grant Thornton to validate the eligibility of all the receipts and payments.</p> <p>The deadline for the return of the quarter 4 monitoring information, ISGE and supporting documentation is 16 April 2010.</p> <p>Derwent Community Team will then coordinate the necessary supporting documentation ready for the accountable body pre-submission evaluation in September 2010.</p>	<p>July update</p> <p>The Statement of Grant Usage (SGU) claim form for 2009/10 has now been received and the additional supporting information requested from each project as part of the Itemised Statement of Grant Expenditure (ISGE) process is currently being reviewed by the Derwent Community Team. The SGU will be completed by 31 August 2010 together with all available supporting documentation, ready for the accountable body pre-submission evaluation in September 2010.</p> <p>September update</p> <p>The Derwent NDC Statement of Grant Usage (SGU) for 2009/10 has been completed together with all available supporting documentation. The grant claim is ready for the accountable body pre-submission evaluation prior to the grant claim submission deadline of 30 September 2010.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
12	Cont'd			Responsible officer - Mark Wyld Implementation date - 31 August 2010	

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
13	RG03 - New Deal for Communities	<p>The New Deal asset register does not consistently record (i) purchase date (ii) location of title deeds (iii) serial or identification numbers (iv) date of disposal (v) sale proceeds net of VAT. Additionally, as noted at recommendation 12 above, the Derwent Community Team does not request information on third party expenditure, nor does it have a process in place to ensure it is notified of all asset acquisitions and disposals. As a result, the asset register may be incomplete. This issue was reported within our qualification letter to CLG.</p> <p>We recommend that the Derwent Community Team introduces adequate checks and controls to ensure the accuracy and completeness of its asset register.</p>	High	<p>The New Deal asset register is updated on an annual basis to include items such as vehicles, land and building purchased with NDC Capital funding. The asset register is also updated for revaluations of assets and depreciation where the information is available.</p> <p>Further work will be undertaken on the asset register in conjunction with the Derwent Community Team Management Board to ensure that details contained within the asset register as at 31 March 2010 are as complete as possible based on the information available. It should be recognised that some 'historic' data is not available, as highlighted in previous audits. Derwent Community Team will update the asset register ready for the accountable body pre-submission evaluation in September 2010. Responsible officer - Mark Wyld</p> <p>Implementation date - 31 August 2010.</p>	<p>July update</p> <p>The Derwent NDC asset register will be updated as part of the SGU claim process for 2009/10 and will be as complete as possible as at 31 March 2010. The updated asset register will be completed by 31 August 2010, ready for the accountable body pre-submission evaluation in September 2010.</p> <p>September update</p> <p>The Derwent NDC asset register has been updated as part of the SGU claim process for 2009/10 and is as complete as possible as at 31 March 2010. The updated asset register is ready for the accountable body pre-submission evaluation prior to the grant claim submission deadline of 30 September 2010.</p>

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14	RG03 - New Deal for Communities	The Derwent Community Team provides each project with funding based on expenditure incurred and projected. The funding is then spent as the projects see fit. Funding agreements in place with the projects stipulate the processes that must be followed in awarding contracts, however no evidence of quotes or tenders are maintained or requested by the Derwent Community Team. For contracts awarded internally by the Derwent Community Team we are satisfied that appropriate documentation is maintained. However, we were unable to determine whether contracts awarded by external projects are awarded competitively or in accordance with standing orders. This issue was reported within our qualification letter to CLG. We recommend that for all contracts awarded by external projects, appropriate documentation is maintained by the Derwent Community Team.	High	<p>External projects are being asked to provide details and evidence of any contracts that they have let during 2009/10 in order to demonstrate that the contracts were awarded competitively or in accordance with contract procedure rules. The deadline for the return of this information is 16 April 2010. Derwent Community Team will then coordinate the necessary supporting documentation ready for the accountable body pre-submission evaluation in September 2010. (See issue 15).</p> <p>Responsible officer - Mark Wyld Implementation date - 31 August 2010</p>	<p>July update External projects have been asked to provide details and evidence of contracts that were let in 2009/10 and this information is currently being reviewed by the Derwent Community Team. The contract information will be ready for the accountable body pre-submission evaluation in September 2010.</p> <p>September update External projects have provided details and evidence of contracts that were let in 2009/10. The contract information is ready for the accountable body pre-submission evaluation prior to the grant claim submission deadline of 30 September 2010.</p>

Ref	Issue/Claim	Recommendation	Priority	Management response and implementation details	Management response updates July 2010/September 2010
15	RG03 - New Deal for Communities	<p>The Council is wholly reliant on the Derwent Community Team delivering the projects in accordance with the terms and conditions.</p> <p>We recommend that the Council, as accountable body takes a more robust approach to the validating of the claims, including spot checks on supporting documentation, to satisfy itself that appropriate evidence exists.</p>	High	<p>An early review of supporting documentation is programmed for late July 2010. Actions to address any gaps will be managed and followed up by 31 August 2010. A formal pre-submission evaluation by the accountable body will be performed by 17 September 2010, to provide sufficient time to meet the grant submission deadline of 30 September 2010.</p> <p>Responsible officer - Toni Heathcote Implementation date - 17 September 2010</p>	<p>July update</p> <p>On schedule to review the supporting documentation for late July 2010 with a follow up by 31 August 2010. A formal pre-submission evaluation will be performed by 17 September 2010, to provide sufficient time to meet the grant submission deadline of 30 September 2010.</p> <p>September update</p> <p>The Derwent NDC Statement of Grant Usage (SGU) for 2009/10 has been completed together with all available supporting documentation. A formal pre-submission evaluation of the SGU grant claim for 2009/10 will be performed by 17 September 2010, prior to the grant submission deadline of 30 September 2010.</p>
16	TRA11 - Local Transport Plan: Major Projects	<p>The claim submitted for certification did not cast correctly and it was agreed by both parties that amendment was required.</p> <p>We recommend that an arithmetic check of the return is incorporated into the Council's pre-submission review procedures.</p>	Medium	<p>As part of the procedures identified in Recommendation 3 above arithmetic check to be completed before claims are submitted.</p> <p>Responsible officer - Toni Heathcote Implementation date - 31 March 2010</p>	<p>July update</p> <p>All claims now submitted have incorporated within the Council's pre-submission review procedure an arithmetic check.</p> <p>September update</p> <p>TRA11 – Local Transport Plan: Major Projects - All claims now submitted have incorporated within the Council's pre-submission review procedure an arithmetic check.</p>