

Certification of Claims and Returns - Annual Return

Shropshire County Council

Audit 2008/09

January 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 my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

- 1 Shropshire County Council received more than £40 million of funding from various grant-paying departments that was certifiable by the Audit Commission. The grant-paying departments attach conditions to these grants. Councils must show how they have met these conditions and, if they cannot evidence this, the funding can be at risk. It is therefore important that councils manage certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In 2008/09, my audit team certified 33 claims with a total value of £40 million. Of these, we carried out a limited review of 28 claims and a full review of 5 claims (paragraph 7 explains the difference). We amended two European Regional Development Fund (ERDF) grants (which were subject to limited reviews) which had a nil effect on entitlement.
- 3 Whilst a county council in 2008/09, with no housing service responsibilities, in the run up to the unitary council coming into being we audited and amended the HRA Subsidy Base Data Return (which was subject to a compulsory full review) which was certified for Shropshire Council on behalf of the demised Bridgnorth District Council and Oswestry Borough Council. This had nil effect on entitlement. Appendix 1 sets out a full summary.
- 4 The fees charged for grant certification work in 2008/09 were £15,973. Separate reports have been produced for the work carried out at the demised district councils.

Background

- 5 The Council claimed £40 million for specific activities from grant paying departments which was certifiable by the Audit Commission. This will be ongoing, and increasing, following the formation of the unitary council. 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.
- 6 I was 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 Shropshire County 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.
- 7 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 8 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 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.

Findings

Control environment

- 9 It has not been possible to rely on the control environment alone for five claims above the threshold, as listed in Appendix 1, because these claims are for schemes or projects of a complex nature. The risk associated with such a large volume of transactions within the claims meant testing of eligibility of expenditure was necessary.
- 10 We have not made any recommendations to improve the control environment. Therefore the Council does not need to take any action in this area.
- 11 The Council should look at any recommendations identified at the demised district councils and address any weaknesses.

Specific claims

- 12 No qualification was made on any claims certified by the Audit Commission at Shropshire County Council in 2008/09.

European Regional Development Fund Projects

- 13 The majority of the ERDF grants received for audit were for projects that had come to an end by 31 December 2008. The deadlines for the completion of the claims by the authority and the auditors were:
 - Authority deadline: within one month of project completion (ie end of January 2009); and
 - Auditor deadline: within four months of project completion (ie end of April 2009) or three months from receipt of completed statements and pro-forma (if later).
- 14 The completed claims were not provided for audit until mid to late March 2009. The audit deadline was therefore mid to late June 2009 but we were presented with very good supporting documentation and were therefore able to certify the claims by the end of April 2009 to meet Government Office for the West Midlands requirements.
- 15 The deadlines for the certification of the claims were therefore met but the Authority should ensure that the monitoring processes that are in place are reviewed to ensure Authority deadlines are achieved.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Adequate control environment	Amended	Qualification letter
ERDF Project - Acton Scott Development Programme	531,975	Yes	No	No
ERDF Project - Celebrating Shropshire (Tourism)	509,502	Yes	No	No
ERDF Project - Mere Heritage Park	533,311	Yes	No	No
ERDF Action Plan - Regenerating Communities in Shropshire	2,701,659	Yes	No	No
ERDF Action Plan - Tourism, A Strategic Advantage for Shropshire	3,796,708	Yes	No	No
Sure Start, Early Years and Childcare grant	7,007,055	Yes, but complex claim so full review undertaken	No	No
HRA Subsidy Base Data Return 10/11	-	N/A - full review compulsory	Yes	No
Teachers' Pensions Return	15,978,224	Yes, but complex claim so full review undertaken	No	No
Advantage West Midlands Single Programme - Shropshire Food Enterprise Centre	3,671,128	Yes	No	No

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Claim	Value £	Adequate control environment	Amended	Qualification letter
Advantage West Midlands Single Programme - Bridgnorth Employment Land Provision	139,332 (Project grant claimed value is >£500k)	Yes	No	No
Advantage West Midlands Single Programme - Eastern Oswestry Gateway Infrastructure	1,287,159	Yes, but complex claim so full review undertaken	No	No
Advantage West Midlands Single Programme - Think Energy	232,690 (Project grant claimed value is >£500k)	Yes	No	No
Advantage West Midlands Single Programme - Shropshire Low Carbon for Communities	219,970 (Project grant claimed value is >£500k)	Yes	No	No
Advantage West Midlands Single Programme - Rural Access to Services Programme	421,083 (Project grant claimed value is >£500k)	Yes, but complex claim so full review undertaken	No	No

Appendix 1 – Summary of 2008/09 certified claims

Claims between £100,000 and £500,000

Claim	Value £	Amended
ERDF Project - Technical Assistance in Shropshire	231,858	Yes
ERDF Project - Ludlow Youth Building	173,875	No
ERDF Project - Craven Arms Community Centre	166,791	No
ERDF Project - Celebrating Shropshire (Regenerating Communities)	132,581	No
ERDF Project - Oswestry Area Children's Centre	100,045	No
ERDF Project - Community Buildings Scheme	174,918	No
ERDF Project - Volunteer Support and Development	195,252	No
ERDF Project - Management and Administration Time	151,546	No
ERDF Project - Music Hall	198,812	No
ERDF Project - Ludlow VIC and Museum	105,997	No
ERDF Project - Shropshire Hills Discovery Centre Development Phase 2 and 3	293,821	No
ERDF Project - Interpreting Shropshire / Sharing the Best of Shropshire	228,025	No
ERDF Project - Shropshire Tourism Research Unit	172,655	No
ERDF Project - Mill on the Green	286,942	No
ERDF Project - Sustainable Tourism	105,251	No
ERDF Project - TEME Business Support Grant Scheme	116,500	Yes
ERDF Action Plan - Creative Industries in Shropshire	319,720	No
Advantage West Midlands Single Programme - Sustainable Tourism Business Grant Scheme	28,417 (project grant claimed value >£100k and <£500k)	No
Advantage West Midlands Single Programme - Shropshire and Telford DMP Underpinning Programme	110,000	No

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