

PricewaterhouseCoopers LLP
 80 Strand
 London WC2R 0AF
 Telephone +44 (0) 20 7583 5000
 Facsimile +44 (0) 20 7804 1003
 pwc.com/uk

The Members of the Audit Committee
 Peterborough City Council
 Town Hall
 Bridge Street
 PETERBOROUGH
 PE1 1HG

March 2010

Ladies and Gentlemen

Annual Certification Report

We are pleased to present our first Annual Certification Report summarising the results of our 2008/09 certification work. We look forward to presenting it to members on 29 March 2010.

The purpose of this report is to provide a high level overview of the results of certification work we have undertaken at Peterborough City Council between January 2009 and February 2010 that is accessible for members and other interested stakeholders.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements, use of resources, data quality, and financial management.

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them.

Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

The Audit Commission is required by law to make certification arrangements for grant paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. PricewaterhouseCoopers certifies claims and returns as they arise throughout the year to meet the audited claim/return submission deadlines set by grant paying bodies, in accordance with our role as appointed auditors to the Council.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The

purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Results of Certification work

During the period June 2009 to February 2010 we certified 7 claims and returns, not including European Regional Development Fund (ERDF) grants, which we discuss below. Of these, 4 were qualified although none were amended. We note that the qualifications on these claims were generally minor in nature or did not result in the amount of grant payable to the Council decreasing. Indeed, our qualification of the Housing and Council Tax Benefits grant claim identified that the amount of grant payable to the Council was £16,209 higher following our certification work.

The Council continues to monitor grant income centrally in Strategic Finance. A quality review arrangement also exists that provides a check on grant claims before they are submitted to us for audit. These arrangements ensure that the grant claim certification process at the Council is efficient; there were no significant issues in the 7 claims and returns noted above.

The comments in the rest of this report concerning ERDF grants should be set in the context of a process, described above, that from an audit perspective is generally robust.

We experienced some significant issues in the certification of ERDF grant claims. These are historic projects relating to the period 2000-2008. The certification work undertaken on the majority of these grants was limited to agreeing the income and expenditure figures in the claims to underlying records, but this proved onerous due to poor audit trails.

We certified twenty ERDF grants in the period January 2009 to March 2010 in relation to the 2007/08 and 2008/09 financial years (8 were qualified).

All deadlines for submission of audited claims/returns were met with the exception of the majority of the ERDF grants, where deadlines for the submission of claims to us to audit were consistently not met by the Council.

Fees for certification work are summarised in Appendix A.

The risks of not addressing the issues we noted in our grant claim certification work and our recommendations for improvement are set out in the table below.

	Claim/Return	Issue	Risk to the Authority	Recommendation
1	European Regional Development Fund ("ERDF") Grants	Poor audit trails to support the entries in the claim forms to underlying records. Late submission of	The Council took steps to resolve these historic issues and an ERDF steering group was in place since last year to ensure that the grant claims were made available for audit in time to meet Central Government's final deadline of March 3 rd 2010.	While we note that the issues relating to the ERDF grant claims were historic, we emphasise that projects in receipt of grant monies on the scale of ERDF should be subject to strict internal controls and robust governance arrangements.

		grant claims to the auditor.	Central Government has undertaken more detailed audit work on the ERDF grant claims and there is a risk of significant claw back of grant monies from the Council.	
--	--	------------------------------	--	--

We have agreed an action plan with management to address this issue (see Appendix B).

Yours faithfully

Pricewaterhouse Coopers LLP

DRAFT

Appendix A: Certification Fees

The certification fees for each claim are set out below. An asterisk indicates that the claim was qualified:

Claim/Return	2008/09 Fee (£)	2007/08 Fee (£)
Housing and Council Tax Benefits	19,000 *	17,500
Sure Start	5,000	5,000
Disabled Facilities	2,500	2,500
East of England Development Agency – Peterborough Regional Partnership	3,250 *	-
East of England Development Agency	3,750 *	3,750
Teacher’s Pension Return	5,000 *	4,500 *
National Non Domestic Rates return	6,000	8,000 *
ERDF Grants (20 grant claims split across both years)	30,500 *	31,250 *
“Connexions” Partnerships	-	4,500
Total	75,000	77,000

These fees are based on current authority performance and arrangements for certification. It may be possible to reduce fees should the authority improve its performance by:

- improving accuracy of claims submitted for audit; and
- improving working papers and quality of evidence available to support the claim.

These issues were especially pronounced in ERDF grants submitted to us for audit. Furthermore the Council has incurred additional costs on these audits by, for example, requiring that auditors come to the Council to audit claims that are not actually ready for audit.

As the ERDF programme has now finished, the opportunity for the Council to reduce fees further, in this regard, is marginal.

We are happy to discuss how we may assist further with your improvement.

Appendix B: Management Action Plan

	Claim/Return	Issue	Recommendation	Management Response	Responsibility/Implementation date
1	ERDF	<p>Poor audit trails to support the entries in the claim forms to underlying records.</p> <p>Late submission of grant claims to the auditor.</p>	<p>While we note that the issues relating to the ERDF grant claims were historic, we emphasise that projects in receipt of grant monies on the scale of ERDF should be subject to strict internal controls and robust governance arrangements.</p>	<p>Management recognise the weaknesses that were inherent in the ERDF grant claims due to their historic nature. While the current grant monitoring system is robust, a new proposal for a 'end-to-end' grant process has been developed. It is the Council's aim to build upon the current process in the 2010/11 financial year. This process will increase the accountability of the lead officer responsible for the grant in the service directorate, with the corporate team providing quality assurance.</p> <p>This new way of working has been developed with the issues highlighted by the ERDF grant claims in mind. They will ensure that controls are in place from the start of the grant project.</p>	<p>Steven Pilsworth and Lead Grant Officers in the services</p> <p>From: April 2010</p>

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

© 2010 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This page is intentionally left blank