

Audit Committee – 25 October 2010

European Structural Fund Objective 2 Action Plan – Progress Update

Summary of report

Audit committee on 23 March 2010 resolved that an action plan be produced in the light of the findings of the report from Grant Thornton. The plan was submitted and accepted on 14 June 2010. This report provides an update on progress against the actions contained within that plan.

Recommendation

Audit Committee is recommended to note progress against the action plan and comment as appropriate.



Paul Sheehan – Chief Executive
11 October 2010

Background

The special meeting of the Audit Committee held on the 23 March 2010 received and accepted a Grant Thornton report on the European Structural Fund Objective 2. The committee resolved;

“That an action plan be produced in the light of the findings of the report and be submitted to a future meeting of the Audit Committee for consideration”. The action plan was produced and agreed by the Audit Committee at its meeting of 14 June 2010.

This report charts progress against the key actions contained within the plan.

Progress against the Grant Thornton Action Plan

The summary of progress is attached as **Appendix 1**.

In response to the action plan the council's grants manual, which governs how grants are managed and administered, has been revised and substantially strengthened. The manual and other key documents will be formally launched and distributed to relevant staff at a grants workshop to be run jointly by Grant Thornton, the council's external auditor, and council finance officers. Follow up training will be delivered by the Finance team. The workshop is planned for 26 October 2010 and will require attendance by all grants administrators.

In addition all top 4 tier officers plus staff involved in grant administration have received a letter from the Chief Executive and the Chief Finance Officer which specifies mandatory compliance with the revised grant management procedures and emphasises the importance of open and honest communication across the council.

Resource and legal considerations

The work necessary to achieve some of the actions in the proposed plan have given rise to the need for additional resources which has been managed within existing council finances.

Governance issues / Citizen Impact

Walsall council believes that it is responsible for ensuring that its business is conducted to the highest ethical and legal standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability Members and officers are responsible for putting in place proper arrangements for the governance of the council's affairs and the stewardship of the resources at its disposal. The action plan seeks to strengthen these arrangements.

Environment impact

None directly arising from this report.

Performance and risk management issues

Openness is a prerequisite if stakeholders are to have confidence in the decision-making and management processes of the council.

Equality implications

None arising directly from this report.

Consultation

Chief Finance Officer, relevant Executive Directors, Head of Internal Audit, Monitoring Officer.

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Grant Thornton Action Plan: ERDF – Progress against Key Actions

Appendix 1

Action Plan Ref	Action	Who /When	Progress
1.	A joint letter from the Chief Executive and Chief Finance Officer will be sent to all staff involved in administering and/or managing grant claims/streams. The letter will include the consequences of officers' failure to comply with these procedures, not excluding disciplinary action.	Assistant Director Finance 30 September 2010	Letter sent 30 September 2010
1.	All top 4 tier officers will be required to attend refresher training and a rolling programme will be maintained.	Head Of Corporate Finance 30 September 2010	Finance Vital Skills Programme is being redesigned to include more information on Grants Management and Risk. The requirement to attend this training has been advised to these officers. The first tranche of Vital Skills training has been delivered and a second is planned for the latter part of the year.
1	All grant administrators will be required to attend a grants workshop jointly delivered by Grant Thornton and Finance	Head Of Corporate Finance 31 October 2010	Planned for 26 th October (although this may slip into early November depending on GT availability). This will be followed up by more in depth training sessions carried out by finance on the detailed requirements of the Grants Manual.

Action Plan Ref	Action	Who /When	Progress
1, 2 and 5	<p>The Grants Manual and Partnership Toolkit are updated to adequately reflect the issues raised.</p> <p>The corporate risk management strategy and guidelines; grants' manual; and partnership toolkit will be re-issued to all relevant staff involved in administering and/or managing grant claims/stream.</p> <p>The need to properly identify risks at an appropriate stage will be emphasised.</p>	Head Of Corporate Finance 30 September 2010	The Grants Manual, which is the overarching document that oversees administration of grants has been substantially redrafted, and now includes all the points recommended in the Action Plan. It has been sent to key individuals e.g. Audit for comment. It will be rolled out with other documentation at the Grant Thornton Grant Workshop planned for 26 th October. The Risk Management Strategy is substantially compliant. The partnership toolkit is currently being reviewed and will incorporate this.
3	The role of sub-groups supporting the grant process will be clearly defined and terms of reference should be fit for purpose and implemented effectively.	Executive Directors 30 September 2010	The requirement for this to take place and what to consider in producing a terms of reference is included in the revised Grants Manual. Any terms of reference will require CMT approval.
4	Future staffing arrangements for managing grants will include a thorough analysis of the skills and knowledge required from staff and the resources that they will need to enable them to deliver sound grant management.	Executive Director – Neighbourhood Services. 30 June 2010	Executive Director Neighbourhood Services reports: 'The reference to future staffing arrangements will be dealt with at such time as we have new grant funding.'

Action Plan Ref	Action	Who /When	Progress
4	Where there are significant staffing changes, the need to complete a risk assessment will be required.	Head Of Corporate Finance 30 September 2010	This requirement is now included in the Grants Manual and will be incorporated in the next revision of the Risk Management Strategy.
4 and 5	Executive Directors must ensure compliance with the revised grants manual and put in place appropriate procedures to validate compliance. They will ensure risks are followed and that there is evidence to demonstrate this.	Executive Directors 30 September 2010	Requirement documented in the revised Grant Manual and will be tested by Internal Audit (and External Audit, where this is a requirement of the grant) as part of grant audit work. Top 4 tiers have received letter from Chief Executive issuing instructions on compliance.
5	A formal letter will be sent to all applicants for grants, making clear that written acceptance of the terms and conditions attached to a grant will be required before funds are released; and that continued compliance with the council's requirements, and those of any other funding body, is necessary.	Head Of Corporate Finance 30 September 2010	This is to be done through the grant agreement which must be formally accepted in writing. Guidance around the management of third party agreements has been strengthened in the revised Grants Manual.
5	An option appraisal of corporate records management will be undertaken, including a centralised information / records store.	Executive Director Resources 31 Dec 2010	Officers have been commissioned to undertake this.

Action Plan Ref	Action	Who /When	Progress
5	<p>Effective guidance and training is provided to all third sector organisations to ensure they deliver required supporting documentation. Attendance at such training will be mandatory for all such organisations applying for the council's grants. This will also be detailed within a guidance note which will be issued to such organisations as standard practice.</p> <p>A training session, provider grants manual and overview of Walsall council's process will also be developed.</p>	<p>Head Of Corporate Finance 30 September</p> <p>31 October 2010</p>	<p>Guidance note for third parties has been produced and is included in the Grants Manual. Ongoing training material being developed and a programme will be produced by the 31 October deadline.</p>
6	All top 4 tier officers will be given a mandatory financial skills assessment	<p>Assistant Director Finance 31 December 2010</p>	<p>Work is underway on designing a method to assess current skill levels. This will be rolled out and implemented by the 31 December deadline.</p>
6	Gaps in knowledge identified by skills assessment referred to above will require mandatory training.	<p>Executive Directors. AD Finance 30 April 2011</p>	<p>This will follow the assessment above.</p>

Action Plan Ref	Action	Who /When	Progress
6	<p>All existing grant administrators will be required to seek assistance from finance at an early stage. All future programme management teams/ teams administering large funding streams will be required to have dedicated finance support which will need to be funded. The level of this support will be assessed on an individual funding stream basis prior to the bid for funds being made and reported to CMT for approval.</p>	<p>Head of Corporate Finance 31 October 2010</p>	<p>This requirement has been built into the Grant Manual and will be monitored by the grants co-ordinator. A high level review of grants administration has been undertaken and no areas of significant concern raised.</p>
6	<p>The level of support and assistant available from finance on all claims, including levels of checking and scrutiny will be reviewed by the head of corporate finance. This will include the skills of current grant administrators, finance capacity to support this and best practice guidance on administration of grant claims.</p> <p>A report will be presented to CMT/Audit Committee recommending a best practice model for future delivery of grants. A procedure needs to be developed within the grants manual to carefully outline what grants checks finance will do and what will be done in programme management. The level of this check has to be agreed</p>	<p>Head of Corporate Finance 31 October 2010</p>	<p>The role of finance is set out within the manual. The role of a central grants co-ordinator has been scoped and incorporated into the Grants Manual. A draft job description has been produced. The The post will be recruited to at no additional cost to the authority.</p> <p>Work is continuing to identify best practice in this area.</p>

Action Plan Ref	Action	Who /When	Progress
7	The Head of Internal Audit will ensure that all significant grant funding streams are reviewed at the inception stage of the grant and subsequently during ongoing programmes as part of its risk assessed audit planning process	Head Of Internal Audit	<p>Head of Internal Audit response:</p> <p>‘Re review of significant grant funding streams at inception stage - we have progressed this where we are aware of new grants, for example our work at the inception stage of the future jobs fund grant. Clearly this action will only be fully implemented once the requirement has been included within the Grants Manual and communicated to all relevant officers.</p> <p>For ongoing grant programmes - major grants are audited as separate entities as part of our risk assessed audit work e.g. working neighbourhood fund. We also have an allocation of 15 days within the audit plan 2010/11 for reviewing a sample of grants within the grants’ register</p>
8	The Chief Executive will write to the Government Office of the West Midlands indicating that any planned inspections should proceed unless his personal authority is invoked to defer them.	Chief Executive 30 September 2010	Completed – Letter sent

Action Plan Ref	Action	Who /When	Progress
9	The local code of governance and employees' code of conduct will also be re-issued to all relevant staff	Monitoring Officer 30 September 2010	Due to be re-issued shortly.
5 and 10	A high level review of grants based on a risk assessment has been undertaken: existing control processes appear satisfactory, although a thorough review of all grants will be undertaken and recommendations made to each Executive Director for their respective areas of responsibility. Any failure of non-compliance to adhere to policies will be reported to CMT and the Audit Committee.	Assistant Director Finance / Head Of Corporate Finance 30 September 2010	Review completed. No significant control issues identified but where there are recommendations these have been incorporated into the revised Grants Manual and will be fed back to Executive Directors. No reported non-compliance matters.
11	Work is already under way to assess the potential for clawback, led by the Executive Director for Neighbourhood Services. This will be reported through to Cabinet for decision where appropriate.	Executive Director Neighbourhood Services 30 September 2010	Completed.