



Certification of Grants and Returns 2014-15

Flintshire County Council

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Status of report

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Summary

1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Flintshire County Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of its 2014-15 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2015-16. Our conclusion for 2014-15 is based on the following overall findings:
 - 56 per cent (nine claims) (15 claims (79 per cent) in 2013-14) were subject to either qualification or amendment or both:
 - 25 per cent (four claims) were both qualified and amended (eight claims (42 per cent) in 2013-14);
 - 12 per cent (two claims) were qualified with no amendment (two claims (11 per cent) in 2013-14); and
 - 19 per cent (three claims) were amended with no qualification (five claims (26 per cent) in 2013-14).
 - As part of the grants regime for 2014-15, the Welsh Government set a de-minimis of £10,000 under which they do not require claims to be qualified or amended for the errors identified. We identified a further two claims from those noted above where errors were found under £10,000. These have been reported to management.
 - The Authority has continued to use the system of grants completion checklists to aid completion of the grant claims and improve the audit evidence available at the commencement of the audits. We reported in 2013-14 that the checklist was not being consistently used or completed correctly. In 2014-15 there was some improvement in that the checklists were now being consistently used although they were still not, in all cases, completed fully or supported by sufficient evidence.
 - Whilst on the face of it, the position has improved, it is worth noting that a number of claims that were qualified in 2013-14 were no longer subject to audit in 2014-15. In total 14 claims were common to both years. Of those, in 2013-14 only three were subject to neither qualification or amendment or both, whereas this improved to six in 2014-15.
4. For 2014-15 we certified 16 grant claims with a value of £135 million, a decrease in number and value from 2013-14 when we certified 19 grant claims with a value of £183 million.

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5. The Authority submitted 69 per cent of grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of some £71,180. Overall, the audits resulted in a reduction of £127,894 in the amount claimable by the Authority in respect of 2014-15.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2014-15 grant claims and returns

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.
- For 2014-15 we certified 16 grants with a total value of £135 million.
- The grants report issued following the 2013-14 audit identified that there was scope for improvement in the arrangements in place for the production and submission of grants claims. In response to this and prior to commencement of the grant audit work for 2014-15, we met with relevant officers and provided training to all staff involved in the delivery and preparation of grant claims. This training emphasised certification requirements and the audit approach to be undertaken.
- Alongside the training provided, we liaised with the Authority to enhance the grants completion checklist, which was amended to include a greater level of scrutiny by management. The checklist was consistently used in 2014-15, but in some instances, was not completed fully or supported by sufficient evidence.
- In addition to the formal audit certificate, qualification letters and reports to management of errors below £10,000 we have issued informal Grant Feedback Memorandums to the officers who compile the grants claims, which aim to highlight issues identified in conducting the audit and make recommendations for improvement.
- We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.

Pages 9-16

Timely receipt of claims

- Our analysis shows that 69% of grants received during the year were received by the Authority's deadline. The remaining 31% of claims were overdue, although we were notified beforehand that the two communities' first claims (12%) would be late which was acceptable to us.
- In future, the responsible officer should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than two working days. We acknowledge that audit queries that relate to third parties' expenditure are likely to sometimes take longer to address. But it is imperative that queries are answered in a timely manner in order for the auditor certification deadline to be met.

Pages 9-16

Certification results

We issued unqualified certificates for 10 grants and returns but qualifications were necessary in six cases (38%)

- The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and issues which have come to our attention (for the first time) during our grant work carried out in 2014-15:

Qualification issues reported in previous financial years

- There was a lack of supporting evidence for a number of claims;
- in some instances the Council was unable to fully reconcile the claim to the ledger;
- approval for virements between approved claim headings was not sought from the grant awarding body; and
- non-compliance with the Council's standing orders for contracts.

Qualification issues reported for the first time in 2014-15

- There were instances of ineligible expenditure as it related to prior or subsequent financial years;
- there were instances of ineligible expenditure as amounts accrued at the end of the year (for goods and services received to 31/3/15) were not subsequently spent as the accrual had been overstated; and
- there were a number of arithmetic and compilation errors.

Pages 9-16

Audit adjustments	<p>Adjustments were necessary to seven of the Authority's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> • There were four significant adjustments (ie, over £10,000). An adjustment of £22,278 (decrease) was made to the Flying Start Capital claim, £17,031 (increase) was made on the Families First claim, £105,123 (decrease) was made to Housing Revenue Account Subsidy return and £16,523 (decrease) was made to the Local Transport grant. • The net adjustment of the seven grants is a reduction of £127,894 in funds payable to the Authority. 	Pages 9-16
The Authority's arrangements	<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but further improvements are required in some areas</p> <ul style="list-style-type: none"> • Grant Checklists should be completed fully and correctly to ensure that the relevant audit evidence is available to both allow the responsible finance officer to certify the claim on behalf of the Council and for audit purposes; • the claims are completed in accordance with the terms and conditions of the grant, submitted on time and do not contain ineligible expenditure; and • relevant staff are aware of and comply with the Council's contract procedure rules when letting contracts. 	Pages 17-19
Fees	<p>Our overall fee for certification of grants and returns for 2014-15 is £71,180 which is less than our original estimate of £75,000 to £85,000</p>	

Summary of certification work outcomes

6. Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2014-15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
7. A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

Key information for 2014-15

Overall, we certified 16 grants and returns:

- Seven were unqualified with no amendment
- Three were unqualified but required some amendment to the final figures
- Two required a qualification to our audit certificate
- Four were qualified but also required some amendment to the final figures

Ref – Para 10	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate	2013-14 Result
1	Housing Benefits Subsidy	30-04-15	21-05-15	Yes	✓		-£368		Qualified with amendment
	Schools Effectiveness and Pupil Deprivation Grant	30-09-15		N/A				No claim in 2014/15	Qualified
2	Transition from SBIG	30-09-15	29-09-15	No				✓	Unqualified
3	21 st Century Schools	30-09-15	29-09-15	No				✓	No claim in 2013/14
	14-19 Learning Pathways	30-09-15		N/A				No claim in 2014/15	Qualified with amendment
	Welsh in Education	30-09-15		N/A				No claim in 2014/15	Amended
4	North East Wales Town Centre Improvement Regeneration Project	30-06-15	30-06-15	No	✓				Qualified with amendment
5	Flying Start (Revenue)	30-09-15	29-09-15	No	✓		£Nil (net)		Qualified with amendment

6	Flying Start (Capital)	30-09-15	29-09-15	No		-£22,278		✓	Amended
7	Families First	30-09-15	09-11-15	Yes		+£17,031		✓	Amended
	Pooled Budget Memorandum Account	10-05-15						No claim in 2014/15	Unqualified
8	HRA Subsidy	30-09-15	30-09-15	No		-£105,123		✓	Amended
9	National Non-domestic Rates Return	30-05-15	21-05-15	No				✓ *	Qualified with amendment
10	Sustainable Waste Management	30-09-15	07-09-15	No				✓	Unqualified
11	Teachers' Pension Return	29-05-15	10-09-15	Yes	✓		-£633		Qualified with amendment
12	Communities First – Flint West	31-07-15	04-08-15^	Yes	✓				Qualified with amendment
13	Communities First – Flint East	31-07-15	04-08-15^	Yes				✓ *	Qualified with amendment

14	Social Care Workforce Development Programme	25-09-15	25-09-15	No				✓	Unqualified
	Regional Transport Consortia Grant	30-09-15						No claim in 2014/15	Qualified
15	Free Concessionary Travel	30-09-15	29-09-15	No				✓	Amended
16	Local Transport Grant	30-09-15	29-09-15	No	✓	-£16,523			No claim in 2013/14
Total					6	-£126,893	£1,001	10	

* - As part of the grants regime for 2014-15, the Welsh Government set a de-minimis of £10,000 under which they do not require claims to be amended for the errors identified. The errors, of less than £10,000, on these two claims have been reported to management.

^ - these claims were submitted late for audit with our agreement.

Recommendations

8. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 9 to 12.

Ref	Summary observations	Amendment
1	<p>Housing Benefits Subsidy</p> <ul style="list-style-type: none"> • The claim was amended for a number of errors identified from testing, and this decreased the amount payable by £368. • The claim was qualified for the following reasons: <p>Cross cutting:</p> <ul style="list-style-type: none"> – incorrect input of payslip details into calculation of earned income within the calculation of benefit awarded; and – incorrect input of tax credits into the calculation of benefit awarded. <p>Rent rebates (non-HRA):</p> <ul style="list-style-type: none"> – Misclassification of overpayment on a B&B tenancy as a rent rebate (HRA) – Authority/Civica reported this to be a known system error which we have been unable to verify. No impact on subsidy, no additional testing undertaken. <p>Rent rebates (HRA):</p> <ul style="list-style-type: none"> – Student grant/loan allowance for travel, books and equipment had been incorrectly entered into the calculation of benefit. Further testing identified total underpayments of benefit. <p>Rent allowances:</p> <ul style="list-style-type: none"> – Incorrect input of payslip details into calculation of earned income within the calculation of benefit awarded. This led to additional testing and extrapolation of the errors identified – Student grant/loan income incorrectly calculated for the period of benefit as the loan had not been averaged over the period of September to June. The drill down population is classified as small and requires 100% review which is to be undertaken and any overpayment errors actioned within 2015-16. – Non-dependant income incorrectly treated during the assessment phase of the benefit calculation. This led to additional testing which identified no further errors. 	£-368

Ref	Summary observations	Amendment
	<ul style="list-style-type: none"> - Size criteria for social housing not applied creating an overpayment. Further consideration of this case identified that the housing data from the housing association landlord had been incorrectly entered into the benefit system. The Authority undertook a full comparison of the housing bedroom data and identified one further error – both errors were where the information had been manually input into the system. 	
2	<p>North East Wales Town Centre Improvement Regeneration Project</p> <ul style="list-style-type: none"> • Issues were highlighted in the accountant’s report for the following reasons: <ul style="list-style-type: none"> - A prior year adjustment of £-249.14 had been duplicated on the transaction list resulting in the gross expenditure being understated. - The match funding income for the period included on the claim form was understated by £346,449.61 and required adjustment. This had no impact on the overall claim as the cumulative match funding income was correct. 	N/A
3	<p>Flying Start (Revenue)</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> - On receipt there was no reconciliation between the claim and the financial ledger. This was subsequently provided but found to be incorrect. Further work resulted in amendments to the claim. - Virements in budget headings included on the claim form were required to be approved by WG if over 10% tolerance limit. This approval was not sought by the Council Supporting evidence for third party expenditure was not provided for a number of items. - A new contract in the year was not awarded in accordance with the Council’s contractual procedure rules. - Expenditure totalling £39,246 related to 2013-14 and was therefore ineligible. The claim was not amended as the Council was able to provide evidence of additional eligible expenditure incurred in the year to substitute in the claim. 	£Nil

Ref	Summary observations	Amendment
4	<p>Flying Start (Capital)</p> <ul style="list-style-type: none"> • The claim was amended for the following reason: <ul style="list-style-type: none"> – Expenditure, amounting to £22,278, had been accrued and included in the claim based on a reasonable estimate as the final accounts for the works had not been finalised at that time. However, the actual spend did not subsequently occur and therefore the claim was overstated. 	£-22,278
5	<p>Families First</p> <ul style="list-style-type: none"> • The claim was amended for the following reason: <ul style="list-style-type: none"> – Expenditure totalling £17,031 had not been included in the claim. 	£+17,031
6	<p>HRA Subsidy</p> <ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> – The claim was compiled using sales net of right to buy discounts when the figures should have been included gross. – In cases where the Council's records conflict as to the amount of HRA rent rebates granted, the lowest figure should be entered. The Council had used the higher figure. 	£-105,123
7	<p>Teachers' Pension Return</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – The Council had not undertaken a reconciliation of the amount paid to Teachers' Pensions and the amount Teachers' Pensions advised that they had received. There was a discrepancy of £115.72. – The Council is required to satisfy itself as to the completeness and accuracy of the information from other payroll providers. At the time of the claim submission, external payroll providers' information had not been reviewed. A subsequent review (carried out during the certification window) identified errors with one provider's calculations and work was still ongoing with the other provider. – Testing identified that teacher's contributions had been incorrectly deducted at an incorrect rate for five employees. 	£-633

Ref	Summary observations	Amendment
	<ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> – arithmetical and transposition errors were present on the original claim and required amendment; and – teachers' pension contributions for five employees had been incorrectly deducted and required amendment. 	
8	<p>Communities First – Flint West</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – a new contract in the year was not awarded in accordance with the Council's contractual procedure rules; and – audit testing identified errors in the calculation of expenditure totalling £12,398 resulting in a net over claim of £5,300 (Note: as a result of the changes in the grant certification regime an amendment was not required as it was for less than £10,000). 	N/A
9	<p>Local Transport Grant</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – a new contract in the year was not awarded in accordance with the Council's contractual procedure rules; – items of expenditure relating to the previous year had been included in the claim and an accrual was overstated; – the Council was unable to provide evidence to support the individual amounts claimed in respect of design fees; and – the Council had insufficient evidence to support the percentage of staff time charged to the claim as part of the match funding. • The claim was amended for the following reasons: <ul style="list-style-type: none"> – there were a number of statement completion errors on the claim; – cut-off errors totalling £7,433; and – grant received during the year had been overstated. 	£-16,523
	Total effect of amendments to the Authority	£-127,894

9. We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority 1	Priority 2	Priority 3
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Late submission of claims	Failure to comply with the terms and conditions of grant.	The Council should ensure that claim forms are completed by the required deadlines and in accordance with the relevant grant terms and conditions.	2		
Lack of supporting evidence to support the claim for funding eg: <ul style="list-style-type: none"> no reconciliation between the claim and the financial ledger; and 	Claim may be qualified and monies recovered by Welsh Government.	The Council should strengthen its arrangements, including completion of the Grants Checklist and its quality assurance processes, to ensure that each claim's financial transactions and other information are fully supported by source prime documents (such as ledger prints,	1		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<ul style="list-style-type: none"> no working papers to support apportionment. 		invoices, calculation of apportionments, timesheets etc) and appropriate reconciliations between the financial ledger and the claim.			
Ineligible expenditure as a result of cut-off errors and over accrued sums.	Claim may be qualified and monies recovered by Welsh Government.	The Council needs to ensure that only eligible expenditure, including that incurred within the claim period, is included within the claim. Advice should be sought from the grant awarding body prior to the claim completion for any concerns about the expenditure eligibility and evidence of that correspondence provided with the claim.	1		
Unapproved changes to the original plan	Claim may be qualified and monies recovered by Welsh Government.	The Council needs to ensure that it obtains prior approval for changes to the original plans/expenditure profiles from the grant awarding body, including virements, before the claim is authorised by the Council's certifying officer and submitted for audit.	1		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Contracts not awarded in accordance with AIB procurement procedures.	Claim may be qualified and monies recovered by Welsh Government.	The Council should ensure that internal standing orders are complied with including Contract Procedure Rules.	1		

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