



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2015-16 – **Flintshire County Council**

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The team who delivered the work comprised John Herniman, Amanda Hughes, Simon Monkhouse and other members of the Wales Audit Office team

# Contents

## Summary report

Summary	4
Headlines	5
Summary of certification work outcomes	7
Recommendations	13

# 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 Council) 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 the Council has sound arrangements in place for the production and submission of its 2015-16 grant claims. We have made five recommendations and will continue to work with the Council to assist them in making further improvements in readiness for the 2016-17 grant claim certification audit.
- 4 For 2015-16 we certified 13 grant claims with a total value of £156 million; this compares to 14 grant claims with a value of £135 million for 2014-15.
- 5 Overall, the outcome of our grant certification audits resulted in a reduction of £6,633 to the amount claimable by the Council in 2015-16.
- 6 The results of our work also highlighted that:
  - 46% (six claims) (56% (nine claims) in 2014-15) were subject to either qualification or amendment or both;
  - 15% (two claims) were both qualified and amended (four claims (25%) in 2014-15);
  - 23% (three claims) were qualified with no amendment (two claims (12%) in 2014-15); and
  - 8% (one claim) was amended with no qualification (three claims (19%) in 2014-15).
- 7 We acknowledge the Council's assistance and co-operation during the audit.

# Headlines

## Exhibit 1: Headlines

<b>Introduction and background</b>	<b>This report summarises the results of work on the certification of the Council's 2015-16 grant claims and returns</b> <ul style="list-style-type: none"><li>• As auditors of the Council we are asked to certify grant claims made by the Council.</li><li>• For 2015-16, we certified 13 grants with a total value of £156 million, compared with 14 grant claims for 2014-15 with a value of £135 million.</li><li>• 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.</li></ul>
<b>Timely receipt of claims</b>	<b>Our analysis shows that 12 out of the 13 grant claims received during the year were received by the audit deadline (92%). The late submission of one claim did not affect our audit work.</b>
<b>Certification results</b>	<b>Of the 13 claims audited, five were qualified (38%), which compares with six claims (43%) qualified during 2014-15</b> <ul style="list-style-type: none"><li>• 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 2015-16:<ul style="list-style-type: none"><li><b>Qualification issues reported in previous financial years</b><ul style="list-style-type: none"><li>– There was a lack of supporting evidence for a claim;</li><li>– there was an instance of non-compliance with the Council's standing orders for contracts; and</li><li>– there were instances of ineligible expenditure as it related to prior or subsequent financial years.</li></ul></li><li><b>Qualification issues reported for the first time in 2015-16</b><ul style="list-style-type: none"><li>– There were instances where recoverable VAT was incorrectly included within the claim;</li></ul></li></ul></li></ul>

	<ul style="list-style-type: none"> <li>– redundancy costs were included within a claim despite no application for their inclusion being made to Welsh Government as required;</li> <li>– there were claims which showed insufficient monitoring of third party expenditure;</li> <li>– an underspend by the Council was not refunded to the grant despite being recorded in the year-end return; and</li> <li>– administration fees were included in a claim with no evidence for its eligibility.</li> </ul>
<b>Audit adjustments</b>	<p><b>Adjustments were necessary to three of the Council's grants</b></p> <ul style="list-style-type: none"> <li>• Three of the Council's grant claims were subject to amendment which resulted in a reduction of £6,633 to the amount claimable by the Council.</li> </ul>
<b>The Council's arrangements</b>	<p><b>The arrangements that the Council has in place for the production and submission of grant claims has shown a marked improvement from previous years although there are areas where further enhancement could be made</b></p> <ul style="list-style-type: none"> <li>• We have made five recommendations which are detailed on page 13 of this report which, if implemented, will help the Council enhance its arrangements further in readiness for the 2016-17 grant claim certification audit.</li> </ul>
<b>Fees</b>	<p><b>Our overall fee for certification of grants and returns for 2015-16 is £57,500* (2014-15 - £71,180)</b></p> <ul style="list-style-type: none"> <li>• In our Audit Plan reported to the Audit Committee in March 2016, we estimated that for 2015-16, we would audit in the region of between 10 and 15 grant claims with an estimated fee of between £65,000 and £75,000.</li> </ul>

\* includes an estimate for the Bus Service Support Grant, as the audit work was completed in February 2017, in line with the certification instruction, and has not yet been billed.

# Summary of certification work outcomes

- 8 Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2015-16 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.
- 9 A qualification means that issues were identified concerning the Council'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.

## Exhibit 2: Key information for 2015-16

### Key information for 2015-16

**Overall, we certified 13 grants and returns:**  
**Seven** were unqualified with no amendment  
**One** was unqualified but required an amendment  
**Three** required a qualification with no amendment  
**Two** required qualification and an amendment

Exhibit 3: Summary of key outcomes

Ref – Para 8	Grants and returns	Claim value (£000)	Claim due	WAO received date	Received on time	Qualified certificate	Amended certificate	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)
1 BEN01	Housing and Council Tax Benefits	38,853	30/04/16	30/04/16	Y	Y	Y	N/A	(£2,494)
2 EDU18	21st Century Schools	15,772	30/09/16	16/09/16	Y	N	N	N/A	N/A
3 EYC01	Flying Start Revenue	2,967	30/09/16	30/09/16	Y	Y	N	N/A	N/A
4 EYC02	Flying Start Capital	280	30/09/16	16/09/16	Y	N	N	N/A	N/A
5 EYC14	Families First	1,689	30/09/16	15/09/16	Y	N	N	N/A	N/A
6 LA01	National Non-domestic Rates Return	66,428	27/05/16	27/05/16	Y	N	Y	N/A	£1
7 PEN05	Teachers Pensions Return	12,801	27/05/16	19/07/16	N	N	N	N/A	N/A
8 RG03	Communities First – East	311	31/07/16	29/07/16	Y	Y	N	N/A	N/A
9 RG03	Communities First - West	365	31/07/16	29/07/16	Y	Y	N	N/A	N/A

Ref – Para 8	Grants and returns	Claim value (£000)	Claim due	WAO received date	Received on time	Qualified certificate	Amended certificate	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)
10 SOC 07	Social Care Workforce Development Programme	445	30/09/16	30/09/16	Y	N	N	N/A	N/A
11 TRA15	Local Transport Grant	787	30/09/16	28/09/16	Y	N	N	N/A	N/A
12 TRA23	Free Concessionary Travel	2,246	30/09/16	28/09/16	Y	N	N	N/A	N/A
13 TRA27	Bus Service Support Grant	13,445	N/A*	N/A*	Y	Y	Y	N/A	(£4,140)
	<b>Total</b>	<b>£156,389</b>							<b>(£6,633)</b>

\*The publication of the Certification Instruction was delayed during discussions with Welsh Government. Claim was received when required.

Exhibit 4: Key issues for adjustments or qualifications identified on pages 8 and 9

Ref	Summary observations	Amendment
1	<p><b>BEN01 Housing Benefit Subsidy</b></p> <p>The Housing Benefit was qualified in respect of the following errors:</p> <ul style="list-style-type: none"> <li>• Incorrect assessment of earned income - we identified 18 cases where the income earned by the applicant had been incorrectly calculated and applied. Of these, eight created an overpayment of benefit, seven created an underpayment of benefit and three had no impact on the amount of benefit claimed. Of these cases, four affected Rent Rebates and 14 affected Rent Allowances, with all the overpayments affecting Rent Allowances.</li> <li>• Claim not correctly passported – our testing identified one case which should have been treated as a passported benefit but had not been treated as such. Ultimately, as the claimant would have received full benefit in both instances, this had no impact on the amount of benefit awarded.</li> <li>• Incorrect application of ‘Rent Officer Determination’ – our testing identified two cases where the Rent Officer Determination had not been correctly applied to the amount of rent awarded. This resulted in an underpayment of benefit.</li> <li>• In-year reconciliation cells – Cells 037, 077 and 120 should agree to the entries within cells 011, 055 and 094 respectively. However, every reconciliation cell differed by £1.</li> </ul> <p>The claim was amended for the following reason:</p> <ul style="list-style-type: none"> <li>• Our audit identified errors that affected a number of cells within the claim. The total of the amendments made to individual cells in the claim was £18,116. This resulted in a reduction in the amount claimable by the Council of £2,494</li> </ul>	<p>Our qualification letter to the DWP reported extrapolated errors totalling £25,177.</p> <p>(£2,494)</p>

Ref	Summary observations	Amendment
2	<p><b>EYC01 Flying Start Revenue</b></p> <p>The Flying Start Revenue claim was qualified for the reasons outlined below:</p> <ul style="list-style-type: none"> <li>• We were unable to agree third party expenditure to supporting evidence for payments to BCULHB and Mudiad Meithrin and we found insufficient monitoring of this by the Council. The payments related to the period from April 2015 to December 2015 and totalled £394,970. Payments from January 2016 to March 2016 showed a sufficient level of monitoring.</li> <li>• Due to their specialist nature, an 'Exemption from Tender' document was prepared for the services supplied by BCULHB. However, at the time of audit, the Council was unable to supply us with an Exemption that had been authorised by the Monitoring Officer as required by Contract Procedure Rule 10.2.</li> <li>• Recoverable VAT of £524 had been incorrectly included in the claim which related to lease car costs.</li> </ul>	<p>The Council did not make amendments for the issues listed.</p>
3	<p><b>LA01 National Non-Domestic Rates</b></p> <p>The NNDR claim was amended for the reason outlined below:</p> <ul style="list-style-type: none"> <li>• The arithmetic on the claim was incorrect.</li> </ul>	<p>£1</p>
4	<p><b>RG03 Communities First - East</b></p> <p>The Communities First - East claim was qualified for the reasons outlined below:</p> <ul style="list-style-type: none"> <li>• The claim included expenditure of £29,723 which related to the 16/17 financial year. Although verbal approval was apparently given by Welsh Government for its inclusion, no proof could be provided during the audit.</li> <li>• The claim included expenditure of £1,737 which related to the 14/15 financial year.</li> <li>• Recoverable VAT of £15 had been incorrectly included in the claim.</li> </ul>	<p>The Council did not make amendments for the issues listed.</p>
5	<p><b>RG03 Communities First - West</b></p> <p>The Communities First - West claim was qualified for the reasons outlined below:</p> <ul style="list-style-type: none"> <li>• The claim included expenditure of £29,722.53 which related to the 16/17 financial year. Although verbal approval was apparently given by Welsh Government for its inclusion, no proof could be provided during the audit.</li> </ul>	<p>The Council did not make amendments for the issues listed.</p>

Ref	Summary observations	Amendment
	<ul style="list-style-type: none"> <li>The claim included £7,343 of redundancy costs but no application for their inclusion had been made to Welsh Government as is required.</li> </ul>	
6	<p><b>TRA27 Bus Service Support Grant</b></p> <ul style="list-style-type: none"> <li>There is insufficient monitoring of third party expenditure. This relates to monies granted to Local Authorities (£4,712,940 over the two years) and Community Transport Operators (£1,090,282 over the two years).</li> <li>The Council did not inform the Welsh Government of retention monies prior to 30 April 2016 as required. The retention amount included in the claim totalled £630,040.</li> <li>Administrative expenses totalling £35,000 are included in the 2015-16 year for which no evidence of eligibility can be provided. Although verbal approval was apparently given by Welsh Government for its inclusion, no proof could be provided during the audit.</li> <li>A Local Authority underspend of grant has not been accounted for. An underspend of £14,708 for Flintshire County Council was not refunded to the grant despite being recorded in the Council's year-end return.</li> </ul> <p>The claim was amended for the reason outlined below:</p> <ul style="list-style-type: none"> <li>An amount of £465 accrued as eligible expenditure within the 2014-15 year was not subsequently claimed by a bus service provider.</li> <li>The 2015/16 year included expenditure of £3,675 that related to the 2014/15 financial year.</li> </ul>	<p>(£465)</p> <p>(£3,675)</p>
	<b>Total effect of amendments to the Council</b>	<b>(£6,633)</b>

# Recommendations

10 The recommendations arising from our work are set out below.

## Exhibit 5: Recommendations

Recommendations	
R1	The Council should ensure that they are aware of grant terms and conditions. Where application/authorisation is required for particular expenditure, the Council must ensure that this is obtained in writing prior to the transactions taking place, and is retained for audit purposes.
R2	The Council should ensure that the Contract Procedure Rules are strictly adhered to and that evidence of the necessary processes is retained for audit purposes.
R3	The Council should ensure that adequate arrangements are in place to monitor expenditure made by third parties. The Council needs to satisfy itself that third party expenditure is correctly reported and is incurred in line with the requirements of grant terms and conditions.
R4	The Council should ensure that no reclaimable VAT is included in any grant claims.
R5	The Council should ensure that expenditure included in claims only relates to the financial year being reported and audited. Where permission has been received from Welsh Government for the inclusion of any expenditure which does not relate to the year in question, this is received in writing prior to the inclusion of the amount, and is retained for audit.

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