



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Certification of Grants and Returns 2011-12

Flintshire County Council

Audit year: 2011-12

Issued: May 2013

Document reference: 342A2013

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Summary report

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 of claims and returns for 2011-12 and can conclude that the Council generally had adequate arrangements in place for the production and submission of its 2011-12 grant claims. The Council had addressed a number of recommendations that we made in our report in 2010-11, in particular, a grant completion checklist was completed for all claims. There is scope for further improvement and we make recommendations in paragraph 7 below. We will continue to work with the Council to make these improvements for 2012-13.

Detailed report

Headlines

Introduction and background	This report summarises the results of work on the certification of the Council's 2011-12 grant claims and returns <ul style="list-style-type: none">• As appointed auditors of the Council, we are asked on behalf of the Auditor General, to certify grant claims made by the Council.• For 2011-12, we certified 26 grants with a total value of £193 million.• At the start of our grant audit work for 2011-12, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our approach for completing the grant work• 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 8-13
Timely receipt of claims	The majority of grants were received on time and where delays did occur they were minimal <ul style="list-style-type: none">• Our analysis shows that 77 per cent of grants received during the year were received by the required deadline. However, whilst the Council submitted 23 per cent (six) of its claims late for audit, most of the claims had only minimal delays. We can confirm that two of the delayed claims required audit adjustments.• In future, the grant co-ordinator 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 8-13
Certification results	We issued unqualified certificates for 18 grants and returns but qualifications were necessary in eight cases (31 per cent)	Pages 8-13

	<ul style="list-style-type: none"> 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 2011-12: <ul style="list-style-type: none"> Qualification issues reported in previous financial years <ul style="list-style-type: none"> The Housing Benefit Subsidy claim (BEN01) was qualified for a number of issues relating to calculation of Housing Benefit payments, as was the case in previous years Lack of supporting evidence Claim not completed in accordance with Certification Instructions (CIs) Ineligible expenditure Qualification issues reported for the first time in 2011-12 <ul style="list-style-type: none"> Unable to fully reconcile to the ledger Welsh Government approval not sought for asset disposals Welsh Government approval not sought for virements Qualification issues outside the Council's control <ul style="list-style-type: none"> Claim not prepared correctly – pre-populated figures did not reconcile 	
Audit adjustments	<p>Adjustments were necessary to nine of the Council's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> There were three significant adjustments (ie, over £10,000). The NNDR claim was adjusted by £18,575 (increase), the HRA Subsidy claim was adjusted by £23,230 (decrease) and the Housing and Council Tax Benefits Scheme was adjusted by £35,875 (increase). The net adjustment of the nine grants is a reduction of £44,301.53 in funds payable to the Council. Excluding the significant adjustment to the three grants above, the net adjustment of the other six grants is an increase of £13,081.53 to the Council. 	Pages 8-13
The Council's arrangements	<p>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas</p>	Pages 11-14

	<ul style="list-style-type: none"> • During 2011-12, the Council ensured that it used the grant completion checklist for each claim, but in some instances the relevant documentation to support the claim, and as required by the checklist, was not available. • The Council should consider if training is required for those people having responsibility within their departments for letting contracts (however small) to ensure that they are aware of the correct procedures to be followed. • Extra procedures should be put in place to ensure that individual grant scheme rules are always adhered to throughout the Council. • The Council should ensure qualifications issues from previous years are addressed to eliminate their re-occurrence. • The Council should put in place systems and controls to ensure that where grant is passed to a third party to spend, that the organisation is complying with grant scheme rules by keeping adequate records of expenditure. 	
Fees	<p>Our overall fee for certification of grants and returns for 2011-12 is £137,682 which was just outside our original estimate of £100,000 to £135,000.</p> <ul style="list-style-type: none"> • This predominantly results from further follow up work, requested by the Department of Works and Pensions, on the Housing and Council tax Benefits claim. 	

Summary of certification work outcomes

4. **Exhibit 1** provides an overall summary of the key outcomes from our certification work on the Council's 2011-12 grants and returns. Detailed on the following page is a detailed summary showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

Exhibit 1 - Key information for 2011-12

Overall, we certified 26 grants and returns (with an aggregate value of £193 million):

- 14 were unqualified with no amendment
- 4 were unqualified but required some amendment to the final figures
- 3 required a qualification to our audit certificate with no amendment
- 5 were qualified and also required some amendment to the final figures
- Net amendments to claims resulted in a change in grant entitlement of £44,301.53

5. 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 Council to satisfy itself that the full amounts of grant claimed are appropriate.

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	National Non-Domestic Rates Return	21/08/12	24/08/12	Yes		+£18,575		√
2	Land Drainage Scheme	N/A	12/04/12	N/A				√
3	Transitional Schools Building Improvement	30/09/12	12/09/12	No				√
4	Transitional Schools Buildings Improvement	30/09/12	12/09/12	No				√
5	Learning Pathways	30/09/12	27/09/12	No	√		+£7,803	
6	Welsh Learning Disability Strategy	31/08/12	28/08/12	No				√
7	Transport Grant	31/08/12	31/08/12	No				√
8	Teachers Pensions	29/06/12	27/06/12	No			+£0.01	√
9	Communities First – Central Team	31/07/12	30/07/12	No				√
10	Communities First – Rural North	31/07/12	30/07/12	No				√
11	Communities First – Holywell Neighbourhoods	31/07/12	30/07/12	No	√		-£51.25	
12	Communities First – Higher Shotton	31/07/12	30/07/12	No			+£66.61	√
13	Communities First – Bryn Gwalia (Non-Core)	31/07/12	30/07/12	No				√

14	Communities First – Bryn Gwalia (Core)	31/07/12	30/07/12	No	√		+£5,070.61	
15	Communities First – Castle Ward (Non-Core)	31/07/12	30/07/12	No				√
16	Communities First – Castle Ward (Core)	31/07/12	30/07/12	No	√			
17	Cymorth	30/09/12	01/10/12	Yes	√			
18	Flying Start	30/09/12	03/10/12	Yes	√			
19	School Effectiveness Grant	30/09/12	28/09/12	No				√
20	Social Care Work Development Programme	30/09/12	04/10/12	Yes				√
21	Regional Transport Grant	30/09/12	04/10/12	No *				√
22	Free Concessionary Travel	30/09/12	05/10/12	No*	√		+£192.55	
23	HRA Subsidy	30/09/12	27/11/12	Yes		-£23,230		√
24	Substance Misuse Action Fund	30/09/12	10/10/12	Yes				√
25	Housing & Council tax Benefits Scheme	31/04/12	27/04/12	No	√	+£35,875		
26	Sustainable Waste Management	31/10/12	27/07/12	No				√
Total					8	£31,220	£13,081.53	18

* These claims were late due to problems with the forms and the Welsh Government confirmed they would not hold authorities to the deadline.

6. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 9 to 10.

Ref	Summary observations	Amendment
1	<p>NNDR (LA01)</p> <ul style="list-style-type: none"> The amendment, which increased the contribution to the pool by £18,575, resulted from the combined errors identified in four lines of the claim. (Recommendation 1) 	+ £18,575
2	<p>Learning Pathways (EDU43)</p> <ul style="list-style-type: none"> The Better Schools Fund claim was qualified for lack of adequate supporting documentation and the lack of a rationale to support apportionment of staff costs. (Recommendation 2) The amendment resulted because there was a lack of supporting evidence in relation to travel costs, which were removed from the claim. (Recommendation 2) 	+ £7,803
3	<p>Teachers Pension (PEN05)</p> <ul style="list-style-type: none"> There was a minor adjustment as a result of a calculation error. 	+ £0.01
4	<p>Communities First – Holywell Neighbourhoods (RG02)</p> <ul style="list-style-type: none"> The claim was qualified because prior approval was not obtained for an asset disposed of, which is contrary to certification instructions. (Recommendation 3) The amendment resulted from testing which confirmed that this was ineligible expenditure. (Recommendation 4) 	-£51.25
5	<p>Communities First – Higher Shotton (RG02)</p> <ul style="list-style-type: none"> The amendment resulted from testing which confirmed that this was ineligible expenditure. (Recommendation 4) 	+ £66.61

Ref	Summary observations	Amendment
6	<p>Communities First – Bryn Gwalia (Core) (RG02)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified that the asset register was incomplete as it did not include any prices or dates when assets were purchased. (Recommendation 5) The amendment resulted from testing and was made up of an incorrectly coded item, ineligible expenditure and an item included in the wrong year. (Recommendation 4) 	+ £5,070.61
7	<p>Communities First – Castle Ward (Core) (RG02)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified two assets that had been disposed of for which prior approval had not been sought from the Welsh Government. (Recommendation 5) 	£0
8	<p>Cymorth (EYC14)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified a number of issues that could not be resolved. These included ineligible expenditure, issues with reconciling expenditure to the ledger, and issues with the pre-populated figures in the appendix to the claim not totalling correctly. (Recommendation 4) 	£0
9	<p>Flying Start (EYC01)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified a number of issues that could not be resolved. These included ineligible expenditure, no approval sought for virements between differing heads of expenditure, and a lack of supporting documentation for two items of expenditure. (Recommendation 3 & 4) 	£0
10	<p>Free Concessionary Travel (TRA23)</p> <ul style="list-style-type: none"> The claim was qualified because the Council only achieved an overall percentage of data provided via the SmartCard system of 97.01 per cent, and had not achieved the required target of 98 per cent. (Recommendation 1) The amendment resulted from an incorrect calculation. 	+ £192.55

Ref	Summary observations	Amendment
11	<p>HRA Subsidy (HOU03)</p> <ul style="list-style-type: none"> The amendment resulted from testing which confirmed an incorrect calculation that resulted in changes to a number of lines in the claim, and this resulted in a decrease to the amount payable by the Council. (Recommendation 1) 	-£23,230
12	<p>Housing & Council Tax Benefits Scheme (BEN01)</p> <ul style="list-style-type: none"> The claim was qualified for the following reasons: <ul style="list-style-type: none"> HRA - Proof of self employed earnings (Recommendation 2) Rent Allowances – Issues related to tenancy agreements (Recommendation 1) Council Tax – Overpayments misclassified (Recommendation 1) Rent Allowances – Overpayments misclassified (Recommendation 1) Rent Allowances – Incorrect entries in relation to non statutory valuations. (Recommendation 1) The claim was amended as follows: <ul style="list-style-type: none"> A number of separate amendments were required to the claim, which resulted in an increase to the amount payable to DWP by £35,875. <p>In conducting our audit work, we found that a number of calculations were not readily supported by adequate documentation.</p> <p>Following on from our audit work on the 2011-12 claim, and as part of our work on the 2012-13 claim, we will review the Council's quality control processes in respect of the housing and council tax benefit scheme, to assess how the Council is ensuring that the qualification issues arising on the audit of the claim are addressed.</p>	+ £35,875
	Total effect of amendments to the Council	+ £44,301.53

Recommendations

7. We make the following recommendations to improve the councils grant arrangements. We will follow up these recommendations during next year's audit.

Recommendations	
R1	The Council should ensure that claim forms are completed in accordance with the relevant grant terms and conditions.
R2	The Council should strengthen arrangements to ensure that each claim's financial transactions and other information are fully supported by source prime documents, such as ledger prints, invoices, calculation of apportionments, timesheets etc.
R3	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.
R4	The Council needs to ensure that only eligible expenditure, including that incurred within the claim period, should be 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.
R5	Where claims include assets, then the Council should maintain an asset register which contains all relevant details. Where assets being disposed of have previously been purchased from grant funding then the Council should obtain prior approval from the grant awarding body prior to disposal.



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