

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Certification of Grants and Returns 2012-13

Flintshire County Council

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The team who delivered the work comprised John Herniman, Amanda Hughes, Ron Parker, Sue Bethell, Bob Hughes, Helen Howard, Diane Jones and Paul Jones.

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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 2012-13 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2013-14. Our conclusion for 2012-13 is based on the following overall findings:
 - The Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2012-13 grants was in place throughout the year;
 - We held two grant awareness sessions with Authority staff involved in grants preparation to provide more information on our audit requirements; and
 - Arising from these sessions, we agreed to produce an informal grant feedback memorandum for each audited claim to identify areas for improvement;
 - There is still scope to improve the Authority's arrangements for submitting its grant claims for audit.
4. For 2012-13 we certified 31 grant claims with a value of £190 million, compared to 26 claims with a value of £193 million in 2011-12.
5. The Authority submitted 21 of its 2012-13 grant claims to us on time, with 10 being submitted late (although nine of these were the Communities First claims for which the Council had retrospective approval for late submission). We can confirm that we have certified all of the claims, at a total audit cost of £122,920. Overall, the audits resulted in a reduction in the amount claimable by the Authority of £66,232.07 in respect of 2012-13.
6. 1:2 of the claims were qualified; this is above the Welsh average of 1:3 for 2012-13.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2012-13 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 2012-13, we certified 31 grants with a total value of £190 million.
- At the start of our grant audit work for 2012-13, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our proposed *approach for completing the grant work*. We provided the officers with a comprehensive Good Practice *Grant Checklist* to be included on each grant claim file. The *Grant Checklist* highlighted the key areas the Wales Audit Office would be reviewing whilst performing grant auditor certification.
- We also held two grant awareness sessions, with staff involved in producing grant claims to confirm our approach and requirements. As a result of a request from those sessions we also agreed to produce an informal Grant Feedback Memorandum, which aims to highlight issues identified and make recommendations for improvement. A total of 15 Grant Feedback Memorandums were issued during the year, of these one covered and summarised the issues arising from the nine Community First schemes.
- 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 8-17

Timely receipt of claims

- Our analysis shows that 68 per cent of grants received during the year were received by the Authority's deadline. Of the 10 submitted late, nine were Community First claims. The audit submission deadline was 31 July 2013, with an audited claim submission deadline of 31 Oct 2013. We didn't actually receive them for audit until 18 November 2013. The Council have subsequently provided retrospective approval from Welsh Government dated 11 December 2013.
- In future, the grant co-ordinator should ensure that all grant claims are submitted by the deadlines and any approvals are sought prior to the deadline. It is also important 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 8-17

Certification results

We issued unqualified certificates for 17 grants and returns but qualifications were necessary in 14 cases (45 per cent)

- 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 2012-13:

Qualification issues reported in previous financial years

- Claim forms not completed in accordance with grant terms and conditions
- Lack of supporting evidence
- Authority not sought for disposals or changes to claim
- Ineligible expenditure
- Maintaining asset register
- Unable to fully reconcile to ledger

Qualification issues reported for the first time in 2012-13

- SLAs were unsigned

Qualification issues outside the Authority's control

- Grant amended offer letter not available

Pages 8-17

Audit adjustments	<p>Adjustments were necessary to 13 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 five significant adjustments (ie, over £10,000). An adjustment of £301,274 (increase) was made on the NNDR claim, £230,133 (decrease) on the Welsh Learning Disability Strategy claim, £39,211.61 (increase) on the Schools Effectiveness Grant claim, £31,175.22 (decrease) on the Free Concessionary Travel claim, and £10,002 (decrease) was made on the Housing and Council Tax Benefits claim. • The net adjustment of the 13 grants is a reduction of £66,232.07 in funds payable to the Authority. Excluding the significant adjustment to the five, the net adjustment of the other seven grants is an increase of £2,943.32 to the Authority. 	Pages 8-17
The Authority's arrangements	<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas</p> <ul style="list-style-type: none"> • The Authority 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 Authority. • The Authority should ensure the most up to date Grants Completion Checklist is used by all sections • The Authority should ensure that issues identified in both the qualification letter and the grants feedback memos are addressed to eliminate their re-occurrence. 	Pages 13-17
Fees	<p>Our overall fee for certification of grants and returns for 2012-13 is £122,920 which was within our original estimate of £115,000 to £145,000</p>	

Summary of certification work outcomes

7. Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2012-13 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.
8. 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 2012-13

Overall, we certified 31 grants and returns (26 in 2011-12):

Eleven were unqualified with no amendment (14 in 2011-12)

Six were unqualified but required some amendment to the final figures (four in 2011-12)

Seven required a qualification to our audit certificate (three in 2011-12)

Seven were qualified but required some amendment to the final figures (five in 2011-12)

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Amendment (>£10,000)	Amendment (<£10,000)	Unqualified certificate	2011-12 Result
1	National Non-Domestic Rates Return	31/05/13	31/05/13	N	√	£301,274			Unqualified with amendment
2	Land Drainage Scheme	N/A	N/A	N/A				No claim this year	Unqualified
3	Transitional Schools Building Improvement T2	30/09/13	30/09/13	N				√	Unqualified
4	Transitional Schools Buildings Improvement T3	30/09/13	30/09/13	N				√	Unqualified
5	Learning Pathways	31/10/13	31/10/13	N	√		£495.62		Qualified with amendment
6	Welsh Learning Disability Strategy	30/09/13	30/09/13	N		-£230,133		√	Unqualified
7	Transport Grant	N/A	N/A	N/A				No claim this year	Unqualified
8	Teachers Pensions	30/06/13	30/06/13	N				√	Unqualified with amendment

9	Communities First – Central Team	31/07/13	18/11/13	Y	√					Unqualified
10	Communities First – Rural North	31/07/13	18/11/13	Y	√		-£440.63			Unqualified
11	Communities First – Rural North Exit Strategy	31/07/13	18/11/13	Y	√					New scheme
12	Communities First – Higher Shotton	31/07/13	18/11/13	Y	√		£91.64			Unqualified with amendment
13	Communities First – Holywell Neighbourhoods	31/07/13	18/11/13	Y	√		-£363.74			Qualified with amendment
14	Communities First – Bryn Gwalia (Non-Core)	31/07/13	18/11/13	Y			-£448.62	√		Unqualified
15	Communities First – Bryn Gwalia (Core)	31/07/13	18/11/13	Y				√		Qualified with amendment
16	Communities First – Castle Ward (Non-Core)	31/07/13	18/11/13	Y			£1082.41	√		Unqualified
17	Communities First – Castle Ward (Core)	30/09/13	18/11/13	Y	√					Qualified
18	Cymorth	N/A	N/A	N/A				No claim this year		Qualified

19	Families First	30/09/13	30/09/13	N				√	No claim last year
20	Flying Start	30/09/13	30/09/13	N			-£2,265	√	Qualified
21	School Effectiveness Grant	30/09/13	30/09/13	N	√	£39,211.61			Unqualified
22	Social Care Work Development Programme	28/09/13	28/09/13	N				√	Unqualified
23	Regional Transport Grant	30/09/13	30/09/13	N				√	Unqualified
24	Free Concessionary Travel	30/09/13	18/12/13	Y		-£31,175.22		√	Qualified with amendment
25	HRA Subsidy	30/09/13	11/10/13	N			-£1,095	√	Unqualified with amendment
26	Substance Misuse Action Fund	30/09/13	30/09/13	N	√				Unqualified
27	Housing & Council tax Benefits Scheme	30/04/13	30/04/13	N	√	-£10,002			Qualified with amendment
28	Sustainable Waste Management	31/10/13	31/10/13	N				√	Unqualified

29	Welsh in Education Grant	30/09/13	30/09/13	N	√				No claim last year
30	Town Improvement Warren Bank	N/A	N/A	N				√	No claim last year
31	Town Improvement Manor Lane	N/A	N/A	N	√				No claim last year
32	Pooled Budget Memorandum Account	10/05/13	10/05/13	N				√	No claim last year
33	N.E.Wales Town Centre (EU)	31/12/12	31/12/12	N	√				New Scheme
34	N.E.Wales Town Centre (EU) Second year	31/12/13	31/12/13	N				√	New Scheme
Total					14	£69,175.39	-£2,943.32	17	

9. 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>NNDR (LA01)</p> <ul style="list-style-type: none"> The amendment, which increased the contribution to the pool by £301,274, resulted from combined errors identified in two lines of the claim, which related to an incorrect calculation for bad debt provision. (Recommendation 1). The claim was qualified because we could not complete a test due to the lack of supporting documentation related to the application for rate relief. (Recommendation 2). 	£301,274
5	<p>Learning Pathways (EDU43)</p> <ul style="list-style-type: none"> The Learning Pathways claim was amended as a result of an incorrect amount for transport recharges, and this increased the amount payable by £495.62. (Recommendation 1). The claim was qualified because of a lack of adequate supporting documentation and the lack of a rationale to support apportionment of staff costs, and this was the same as last year. (Recommendation 2). 	£495.62
6	<p>Welsh Learning Disability Strategy (HC03)</p> <ul style="list-style-type: none"> The amendment, which reduced the amount payable by £230,133, related to ineligible expenditure and to under-utilised grant. (Recommendation 4). 	-£230,133
9	<p>Communities First – Central Team (RG02)</p> <ul style="list-style-type: none"> The claim was qualified as an asset purchased in the year was not added to the asset register in accordance with requirements and the asset register was therefore incomplete. (Recommendation 5). 	£Nil

Ref	Summary observations	Amendment
10	<p>Communities First – Rural North (RG02)</p> <ul style="list-style-type: none"> The claim was amended because a printer (cost £440.63) was incorrectly charged to the project. (Recommendation 4). The claim was qualified for a number of issues. There was insufficient supporting evidence for one item of expenditure. (Recommendation 2). It was also identified, from a review of asset disposals that no authorisation from Welsh Government had been obtained for the disposal of three assets and the transfer of 46 assets to community groups. (Recommendation 5). 	-£440.63
11	<p>Communities First – Rural North Exit Strategy (RG02)</p> <ul style="list-style-type: none"> The claim was qualified for two issues. Firstly, as part of the expenditure testing, we identified a number of ineligible items of expenditure, amounting in total to £4,155.60. The claim was not amended as the Authority has applied for retrospective approval to utilise unspent funds, following the grant cut-off date. (Recommendation 4). The claim was also qualified because the authority's contract regulations had not been followed, as the contract for WFCE Ltd was awarded without obtaining three quotes as required under the contract procedure rules. (Recommendation 1). 	£Nil
12	<p>Communities First – Higher Shotton (RG02)</p> <ul style="list-style-type: none"> The claim was amended because maintenance charges had been incorrectly charged to the wrong period, resulting in an increase in the amount payable of £91.64. (Recommendation 4). The claim was qualified for a number of issues relating to the maintenance of the asset register. Firstly, testing of expenditure identified five items purchased in year that had not been included in the asset register. Secondly, the asset guidance states that projects should carry out a physical check of assets on the asset register at intervals agreed with the grantee (recommended quarterly), but no check had been performed since 2012. (Recommendation 5). 	£91.64

Ref	Summary observations	Amendment
13	<p>Communities First – Holywell Neighbourhoods (RG02)</p> <ul style="list-style-type: none"> The claim was amended because of adjustments made for expenditure not included which affected the calculation, resulting in a decrease in the amount payable of £363.74. (Recommendation 1). The claim was qualified for a number of issues related to the asset register. Asset disposal testing identified both disposals and transfers where there were no cost details in the asset register and some disposals where no authorisation had been sought from the Welsh Government. Expenditure testing identified one item purchased in-year that was not included in the asset register. (Recommendation 5). 	-£363.74
14	<p>Communities First – Bryn Gwalia (Non-Core) (RG02)</p> <ul style="list-style-type: none"> The claim was amended because the original claim did not agree to the ledger and expenditure had been charged against incorrect categories on the claim. This resulted in a decrease in the amount payable of £448.62. (Recommendation 1). 	-£448.62
16	<p>Communities First – Castle Ward (Non-Core) (RG02)</p> <ul style="list-style-type: none"> The claim was amended because the original claim did not agree to the ledger and expenditure had been charged against incorrect categories on the claim. This resulted in an increase in the amount payable of £1,082.41. (Recommendation 1) 	£1,082.41
17	<p>Communities First – Castle Ward (Core) (RG02)</p> <ul style="list-style-type: none"> The claim was qualified for two issues. Firstly, testing of asset disposals identified five items where no authorisation had been sought from Welsh Government prior to disposal (Recommendation 5). The second issue, identified from expenditure testing, related to four items that were not supported by sufficient documentation. (Recommendation 2). 	£Nil
20	<p>Flying Start (EYC01)</p> <ul style="list-style-type: none"> The claim was amended as a result of the inclusion of ineligible expenditure, which following amendment decreased the amount payable by £2,265. (Recommendation 4). 	-£2,265

Ref	Summary observations	Amendment
21	<p>School Effectiveness Grant (EDU15)</p> <ul style="list-style-type: none"> The claim was amended as a result of a number of issues including ineligible expenditure, school underspends and the incorrect allocation of central costs, and this increased the amount payable by £39,211.61. (Recommendation 4). The claim was qualified because we could not fully reconcile the claim to the ledger. (Recommendation 2). 	£39,211.61
24	<p>Free Concessionary Fares (TRA23)</p> <ul style="list-style-type: none"> The claim was amended as a result of expenditure under claimed and an incorrect amount included, and this decreased the amount payable by £31,175.22. (Recommendation 1). 	-£31,175.22
25	<p>HRA Subsidy (HOU03)</p> <ul style="list-style-type: none"> The claim was amended as a result of incorrect entries included in the claim, and this decreased the amount payable by £1,095. (Recommendation 1). 	-£1,095
26	<p>Substance Misuse Action Fund (HC02)</p> <ul style="list-style-type: none"> The claim was qualified because there were no signed Service Level Agreements (SLA) for three services commissioned from the BCULHB. (Recommendation 2). 	£Nil

Ref	Summary observations	Amendment
27	<p>Housing & Council Tax Benefits Scheme (BEN01)</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 £10,002. The claim was qualified for the following reasons: <ul style="list-style-type: none"> Modified Schemes – split between statutory benefit and local scheme. (Recommendation 1). Council Tax Benefit – required additional testing on Tax Credits, Earned Income & Self Employed Income. (Recommendation 1). Rent Rebate – additional testing on Tax Credits. (Recommendation 1). Rent Allowances – additional testing on overpayment misclassification, Tax Credits & 13 Week Protection. (Recommendation 1). Issues around manual adjustments. (Recommendation 2). 	-£10,002
29	<p>Welsh in Education Grant (EDU44)</p> <ul style="list-style-type: none"> The claim was qualified because there was a lack of supporting evidence related to delegated expenditure. (Recommendation 2). 	£Nil
31	<p>Town Improvement Manor Lane (RG16)</p> <ul style="list-style-type: none"> The claim was qualified because an amended grant offer letter was not provided to support the claim. (Recommendation 2). 	£Nil
33	<p>North East Wales Town Regeneration Project (EUR01)</p> <ul style="list-style-type: none"> The claim was qualified because it was received three months late and bodies and auditors are required to abide by the claim timescales. (Recommendation 1). 	£Nil
	Total effect of amendments to the Authority	£66,232.07

Recommendations

10. We make the following recommendations to improve the Council's 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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