



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2016-17– **Flintshire County Council**

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The team who delivered the work comprised John Herniman, Matthew Edwards, Mike Whiteley, Simon Monkhouse, Mary Owen, Garmon Williams and other members of the WAO audit team.

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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 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 2016-17 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2017-18. Our conclusion for 2016-17 is based on the following overall findings:
  - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2016-17 grants was in place throughout the year; and
  - there is scope to improve the Authority's arrangements for submitting its grant claims for audit.
- 4 For 2016-17 we certified 12 grant claims with a total value of £137 million (2015-16: 13 grant claims totalling £156 million). There was one less grant claim in 2016-17 as the two Communities First claims in 2015-16 have been amalgamated.
- 5 The Authority submitted 92% (11 out of 12) of its 2016-17 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of some £63,731. Overall, the audits resulted in an additional £3,120 being claimable by the Authority in respect of 2016-17
- 6 1 in 3 of the claims were qualified; this is above the Welsh average of 1 in 4 for 2015-16.
- 7 We would like to acknowledge the assistance and co-operation received from officers during the audit.

# Headlines

<b>Introduction and background</b>	<p><b>This report summarises the results of work on the certification of the Authority's 2016-17 grant claims and returns</b></p> <ul style="list-style-type: none"><li>• As auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.</li><li>• For 2016-17, we certified 12 grants with a total value of £137 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>	<ul style="list-style-type: none"><li>• Our analysis shows that 11 of the 12 grants received during the year were received by the Authority's deadline. The late submission of the remaining claim did not affect our audit work.</li><li>• In future, the grant co-ordinator should ensure that all grant claims are submitted by the required deadlines.</li></ul>
<b>Certification results</b>	<p><b>We issued unqualified certificates for eight grants, which is consistent with 2015-16. Qualifications were necessary in four cases (2015-16: 5)</b></p> <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 2016-17: <b>Qualification issues reported in previous financial years</b><ul style="list-style-type: none"><li>– Lack of supporting evidence for claims;</li><li>– Insufficient monitoring of third party expenditure;</li><li>– Lack of supporting evidence to demonstrate compliance with the Authority's standing orders for contracts;</li><li>– Administration fees were included in claim expenditure with no evidence for its eligibility;</li><li>– Earned income assessments for housing benefit claims were incorrect; and</li><li>– Underspends were not refunded to the grant despite being recorded in the year-end returns.</li></ul></li></ul>

	<p><b>Qualification issues reported for the first time in 2016-17</b></p> <ul style="list-style-type: none"> <li>– Non-compliance with Welsh Government terms and conditions for virements.</li> </ul>
<b>Audit adjustments</b>	<p><b>Adjustments were necessary to six of the Authority’s grants and returns as a result of our auditor certification work this year</b></p> <ul style="list-style-type: none"> <li>• There was one significant adjustment (ie, over £10,000). An adjustment of £250,000 was made on the Local Transport Fund grant. This was in respect of additional funding allocated by Welsh Government for the 2016-17 claim year which had not been received by the Authority at the time of the certification of the claim by the Authority’s Chief Finance Officer. This was a timing issue and does not impact on the amounts payable to, or receivable from, Welsh Government.</li> <li>• The net adjustment of the six grants is an increase of £3,120 in funds payable to the Authority.</li> </ul>
<b>The Authority’s arrangements</b>	<p><b>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas</b></p> <ul style="list-style-type: none"> <li>• We have made five recommendations which are detailed on page 11 of this report which, if implemented, will help the Authority enhance its arrangements in readiness for the 2017-18 grant claim certification audit.</li> </ul>
<b>Fees</b>	<p><b>Our overall fee for certification of grants and returns for 2016-17 is £63,731 (2015-16: £58,514).</b></p> <ul style="list-style-type: none"> <li>• In our Audit Plan reported to the Audit Committee in March 2017, we estimated a fee of between £50,000 and £60,000. The final fee for the year exceeds our initial estimate. Further details are included within the fees section on page 16.</li> </ul>

# Summary of certification work outcomes

- 8 Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2016-17 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 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 2016-17

### Overall, we certified 12 grants and returns:

- 5 were unqualified with no amendment
- 3 were unqualified but required some amendment to the final figures
- 1 required a qualification to our audit certificate
- 3 were qualified and required some amendment to the final figures

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1 - BEN01	Housing Benefit Subsidy	30/04	03/05	No*	Yes	No	(£235)	No
2 - LA01	NDR Non Domestic Rates Return	26/05	23/05	No	No	No	No	Yes
3 - EYC01	Flying Start Revenue Support Grant	08/09	08/09	No	No	No	No	Yes
4 – EYC14	Families First	08/09	19/09	Yes	No	No	No	Yes
5 – EDU18	21 <sup>st</sup> Century Schools	20/12	22/09	No	No	No	No	Yes
6 – SOC07	Social Care Workforce Development Programme	30/09	28/09	No	No	No	No	Yes
7 – EYC02	Flying Start Capital Grant	30/09	28/09	No	No	No	No	Yes
8 – TRA15	Local Transport Fund	30/09	29/09	No	No	£250,000 ***	No	Yes
9 – TRA23	Free Concessionary Travel	23/10	29/09	No	No	No	£3,357	Yes
10 - TRA27	Bus Services Support Grant	23/10	29/09	No	Yes	No	No	No
11 – RG03	Communities First	31/07	11/10	No **	Yes	No	No	No
12 – PEN05	Teachers Pensions	31/05	19/05	No	Yes	No	£2	No
	Total				4	£250,000	£3,120	8

\* deadline to extension granted by the Department for Work and Pensions, therefore claim not considered late.

\*\* the physical signed claim was submitted by the Authority to Welsh Government by the required deadline, however this was not sent to the auditor at the same time. The claim was subsequently received by the auditor directly from Welsh Government, therefore not considered late.



\*\*\* As noted in the headlines above, this was a timing issue and does not impact on the amounts payable to, or receivable from, Welsh Government

10 This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 7 and 8.

Ref	Summary observations	Amendment
1	<p><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>• The total rent rebates granted per the housing benefit system (Civica) was £3,153 higher than the total rebates credited to housing revenue account tenants' rent accounts.</li> <li>• Incorrect assessment of earned income – our testing identified 18 cases where the income earned by the claimant had been incorrectly calculated and applied. Of these 14 resulted in overpayments, one resulted in an underpayment and three had no impact on the benefit awarded.</li> <li>• Incorrect end date – our testing identified four cases where the incorrect end date had been used for the claim. Of these, three resulted in overpayments and one had no impact on the benefit awarded.</li> <li>• Student bursary income – our testing identified four cases where the claimant's student bursary income has been incorrectly calculated and applied. Of these, three resulted in overpayments and one resulted in an underpayment.</li> <li>• Overpayment classification – our testing identified three cases where the Authority has misclassified the overpayment in the subsidy claim.</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 resulted in a reduction in the amount claimable by the Authority of £235.</li> </ul>	<p>Our qualification letter to the Department for Work and Pensions (DWP) reported extrapolated errors totalling £89,041. In response to our letter the DWP subsequently determined that an error identified in our original testing was not representative of the wider population, which reduced the extrapolated error to £44,300.</p> <p>£(235)</p>

Ref	Summary observations	Amendment
8	<p><b>Local Transport Fund</b></p> <ul style="list-style-type: none"> <li>£250,000 amendment made. This was in respect of additional funding allocated by Welsh Government for the 2016-17 claim year which had not been received by the Authority at the time of the certification of the claim by the Authority's Chief Finance Officer. This was a timing issue and does not impact on the amounts payable to, or receivable from, Welsh Government.</li> </ul>	£250,000
9	<p><b>Free Concessionary Travel</b></p> <ul style="list-style-type: none"> <li>Claim amended to include 2 figures which had been included in the quarterly returns to Welsh Government, but omitted from the final claim form in error.</li> </ul>	£3,357
10	<p><b>Bus Services Support Grant</b></p> <ul style="list-style-type: none"> <li>The Authority was not able to demonstrate there is sufficient monitoring of third party expenditure (Community Operators &amp; Local Authority) within the claim.</li> <li>Administrative expenses of £35,000 are included in claim expenditure for 2016-17. The Authority was not able to provide evidence that this eligible expenditure.</li> <li>Local Authority underspends of £182,600 had not been accounted for. £128,120 in respect of Gwynedd County Council and £54,480 in respect of Anglesey County Council had not been refunded to the grant despite being recorded in their respective year-end returns.</li> <li>The Authority was unable to provide sufficient evidence that the emergency contracts awarded following the collapse of GHA Coaches in July 2016 were awarded in compliance with contract procedure rules.</li> </ul>	N/a
11	<p><b>Communities First</b></p> <ul style="list-style-type: none"> <li>The Authority was unable to demonstrate it had fully complied with Welsh Government terms and conditions for virements as it was unable to provide a completed CF7 Virement Request Form for a virement of £40,209 made in the year.</li> </ul>	N/a

Ref	Summary observations	Amendment
12	<p><b>Teachers' Pensions</b></p> <ul style="list-style-type: none"> <li>• Employees' pension contributions not being deducted at the correct rate.</li> <li>• Employees and employers pension contributions on prior years back pay not calculated at the appropriate rate.</li> <li>• Underpayment of £2 incorrectly reflected on the year end claim form.</li> </ul>	(£2)
	<b>Total effect of amendments to the Authority</b>	<b>£253,120</b>

# Recommendations

- 11 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
Ineligible expenditure included in claim	Grant may be reclaimed by Welsh Government	R1 Only eligible expenditure should be included within the claim. Welsh Government advice should be sought prior to claim completion if in any doubt of the eligibility of expenditure and evidence retained for audit purposes.	1		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Lack of effective monitoring of third party expenditure to ensure grant has been used for the intended purpose.	The Authority has not complied with the terms and conditions of grant	R2 The Authority must have adequate procedures in place to satisfy itself, its auditor and the grant-paying body that only eligible expenditure incurred by third parties is included in the claim.	2		
Contracts not awarded in accordance with procurement procedures	The Authority has not complied with the terms and conditions of grant	R3 The Authority should ensure that evidence is retained to demonstrate contract procedure rules have been complied with and that this evidence is available for audit.	1		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Welsh Government approval not sought for virements	The Authority has not complied with the terms and conditions of grant	R4 Approval should be sought in a timely manner from the grant-paying body for all virements, and that evidence of the approval is retained.	2		
Earned income being incorrectly assessed for housing benefit claims	Claims may be qualified	R5 The Authority should assess whether there is a training need for its housing benefits assessors and also review the effectiveness of quality assurance arrangements in place for checking earned income claims.	2		

# Fees

- 12 Our overall fee for the certification of grants and returns of £63,371 exceeded the original estimate of £50,000 to £60,000 within the regulatory plan. This is largely due to difficulties encountered in completing the certification of the Bus Services Support Grant and additional work required by the Department for Works and Pensions on the Housing Benefit Subsidy claim. We will work with officers on the Bus Services Support Grant for 2017-18 to help minimise any difficulties for the claim certification work next year.





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