



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Certification of Grants and Returns 2010-11

Flintshire County Council

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The team who delivered the work comprised John Herniman, Amanda Hughes and Ron Parker.

Contents

Summary	4
Headlines	5
Summary of certification work outcomes	8
Recommendations	15

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 generally had adequate arrangements in place for the production and submission of its 2010-11 grant claims, there is scope for improvement. We are continuing to work with the authority to make these improvements for 2011-12. Our conclusion for 2010-11 is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2010-11 grants was in place throughout the year; and
 - there is scope to improve the authority's arrangements for submitting its grant claims for audit, in particular the grant certification checklist should be used for all grants submitted, as has been previously agreed.
4. In 2010-11, we certified 29 claims (32 claims in 2009-10). The Authority submitted 18 (62 per cent) of its 2010-11 grant claims to us on time, a further eight claims (Communities First) were delayed by the National Assembly and three claims were submitted late. We can confirm that we have certified all of the claims, at a total audit cost of some £130,857. Overall, the audits resulted in an additional £63,693.78 being claimable by the Authority in respect of 2010-11.
5. 1:4 of the claims were qualified, which is equivalent to the Welsh average of 1:4 for 2009-10.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2010-11 grant claims and returns

Pages 8-14

As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.

- For 2010-11, we certified 29 grants with a total value of £177 million.
- Following on from our audit work in 2009-10 we worked with officers to put in place a *Joint Protocol for the certification of grant claims and returns* effective for the 2010-11 grants year. This sought to provide clarity in arrangements and address issues identified in the 2009-10 grants audit. In particular, it included a requirement that for each grant presented for audit, a grant completion checklist would be prepared and authorised, to ensure that essential supporting evidence was available to us to support the grant. A report on the audit of the 2009-10 grant claims and returns, which included the agreed protocol, was presented to the Audit Committee in September 2009. Despite collective agreement, the authority only completed the checklist for five of the 29 2010-11 claims submitted, which is disappointing.
- 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.

Timely receipt of claims

- Our analysis shows that 18 claims (62 per cent) were received by the required deadline, eight claims (28 per cent) were delayed by the Welsh Government and three claims (10 per cent) were late. We can confirm that none of the delays caused audit adjustments to claims.
- In future, the Authority (via the grant co-ordinator) should submit all grant claims by the deadlines and, importantly, ensure that replies to audit queries are typically provided within no more than two working days. However, we acknowledge that audit queries relating to third parties' expenditure, 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 and to ensure efficient delivery of the audit.

Pages 8-14

Certification results	<p>We issued unqualified certificates for 21 grants and returns but qualifications were necessary in eight cases (28 per cent)</p> <p>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 2010-11:</p> <ul style="list-style-type: none"> • Qualification issues reported in previous financial years which occurred in 2010-11: <ul style="list-style-type: none"> – Lack of supporting evidence – Claim not completed in accordance with Certification Instructions (CIs) • Qualification issues reported for the first time in 2010-11: <ul style="list-style-type: none"> – Ineligible expenditure – Incorrect account coding of expenditure categories – Bank control issues • Qualification issues outside the Authority's control: <ul style="list-style-type: none"> – None 	Pages 8-14
Audit adjustments	<p>Adjustments were necessary to eight 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 only two significant adjustments (ie, over £10,000). The Housing and Council Tax Benefit claim was adjusted by £56,892 (increase) and the Substance Misuse Action Plan Fund claim was adjusted by £13,357 (increase). • The net adjustment of the eight grants is an increase of £63,693.38 in funds payable to the Authority. Excluding the significant adjustments to the two grants above, the net adjustment of the other six grants is a reduction of £6,555.22 in funds payable to the Authority. 	Pages 8-14

**The Authority's
arrangements**

The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas

Pages 12-14

- Additional procedures should be put in place to ensure that individual grant scheme rules are always adhered to throughout the Authority.
- The Authority should put in place systems and controls to ensure that where grant is distributed to a third party to incur the expenditure that the third party organisation is complying with grant scheme rules by keeping, and making available, adequate and appropriate records of expenditure.

Fees

Our overall fee for certification of grants and returns for 2010-11 is £130,857 which was within our original estimate of £120,000 to £135,000.

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 2010-11 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 2010-11

Overall, we certified 29 grants and returns:

- 15 were unqualified with no amendment;
- six were unqualified but required some amendment to the final figures;
- six required a qualification to our audit certificate; and
- two were qualified but required some amendment to the final figures.

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Housing and Council Tax benefits scheme	31/05/11	25/05/11	No	√	+£56,892	-	-
2	Safer Communities Fund	30/09/11	09/08/11	No	-	-	-	√
3	Better Schools Fund	31/07/11	15/08/11	Yes	√	-	-	-
4	School Buildings Improvement Grant	22/07/11	02/06/11	No	-	-	-	√
5	Learning Pathways (new, non-ESF)	30/09/11	15/07/11	No	-	-	-£1,114.22	√
6	Flying Start	30/09/11	29/09/11	No	√	-	-	-
7	Cymorth	30/09/11	29/09/11	No	-	-	-	√
8	Substance Misuse Action Plan Fund	30/09/11	25/07/11	No	-	+£13,357	-	√
9	Learning Disabilities	31/08/11	03/08/11	No	-	-	-	√
10	Joint Working Grant	30/09/11	27/09/11	No	-	-	-	√
11	HRA Subsidy 2010-11	30/09/11	31/10/11	Yes	-	-	-£1,138	√
12	HRA Subsidy 2009-10	30/09/11	21/03/11	No	-	-	-	√

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
13	National non-domestic rates return	21/05/11	09/05/11	No	√	-	-	-
14	Sustainable Waste Management	30/09/11	27/07/11	No	-	-	-	√
15	Teachers' Pensions Return	30/06/11	17/06/11	No	-	-	-	√
16	Communities First – Higher Shotton	31/07/11	19/10/11	Yes	√	-	+£2,716.40	-
17	Communities First – Rural North	31/07/11	19/10/11	Yes	√	-	-	-
18	Communities First – Holywell Neighbourhoods	31/07/11	19/10/11	Yes	-	-	-£5,020.40	√
19	Communities First – Castle Ward Flint (non-core)	31/07/11	19/10/11	Yes	-	-	-	√
20	Communities First – Castle Ward Flint (core)	31/07/11	19/10/11	Yes	-	-	-£2,000	√
21	Communities First – Central Team	31/07/11	19/10/11	Yes	-	-	-	√
22	Communities First – Bryn Gwalia, (non-core)	31/07/11	19/10/11	Yes	-	-	-	√
23	Communities First – Bryn Gwalia, (core)	31/07/11	19/10/11	Yes	√	-	-	-
24	Social Care Workforce Development Programme	30/09/11	27/09/11	No	-	-	-	√

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
25	Social Services Performance Management	30/09/11	27/09/11	No	√	-	-	-
26	Community Equipment	30/09/11	26/09/11	No	-	-	+£1.00	√
27	Promoting Independence and Wellbeing	30/09/11	12/12/11	Yes	-	-	-	√
28	Free Concessionary Travel	31/10/11	28/10/11	No	-	-	-	√
29	Capital Road Maintenance Fund	31/10/11	28/10/11	No	-	-	-	√
					8	£70,249	-£6,555.22	21

8. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 11 to 13.

Ref	Summary observations	Amendment
1	<p>Housing and Council tax benefits scheme (BENO1)</p> <p>The claim was qualified for the following reasons:</p> <ul style="list-style-type: none"> • The original claim extraction, submitted to DWP on 25 May 2011, was based on the wrong version of the benefits software release. The Authority provided a new claim and all testing and amendments were carried out on the replacement claim. (Recommendation 1) • Issues of lack of evidence for Old scheme and New scheme cases. (Recommendation 2) • Misclassification of overpayments in rent rebates, rent allowances and council tax. (Recommendation 1) • Errors in modified schemes. (Recommendation 1) • Issues arising from testing related to 2009-10. (Recommendation 1) <p>The claim was adjusted as follows:</p> <ul style="list-style-type: none"> • A number of separate amendments were required to the claim, which resulted in a decrease to the amount payable to the Welsh Government by £56,892. 	£56,892
3	<p>Better Schools Fund (EDU14)</p> <p>This claim was qualified for two reasons:</p> <ul style="list-style-type: none"> • the Authority had included ineligible expenditure on the claim; (Recommendation 3) and • the Authority was unable to provide supporting evidence for the expenditure in two cases. (Recommendation 2) 	£0
5	<p>Learning Pathways (new, non-ESF) (EDU43)</p> <ul style="list-style-type: none"> • The adjustment related to refunds that had not been applied correctly. (Recommendation 1) 	£-1114.22

Ref	Summary observations	Amendment
6	<p>Flying Start (ECY01)</p> <ul style="list-style-type: none"> This claim was qualified because the Authority had not sought appropriate approval, from the Welsh Government, for virements over 10 per cent, as required by the Certificate Instructions. (Recommendation 4) 	£0
8	<p>Substance Misuse Action Fund (HC02)</p> <ul style="list-style-type: none"> The adjustment related to ring-fenced amounts not included in the original claim. (Recommendation 1) 	£13,357
11	<p>HRA Subsidy 2010-11 (HOU03)</p> <ul style="list-style-type: none"> The adjustment related to an incorrect calculation, which resulted in increasing the net amount due to the Welsh Government. (Recommendation 1) 	£-1,138
13	<p>National non-domestic rates return (LA01)</p> <ul style="list-style-type: none"> This return was qualified because the authority did not want to adjust for an amount of £24,445, which was identified, during audit, as being incorrectly included in the claim. (Recommendation 1) 	£0
16	<p>Communities First – Higher Shotton (RG02)</p> <p>The claim was qualified for the following reasons:</p> <ul style="list-style-type: none"> The Authority had miscoded expenditure between categories of expenditure within the claim, although the overall amount was correct. (Recommendation 1) The Authority was unable to provide supporting evidence for some of the claim funding (Recommendation 2) The Authority needs to improve the controls relating to the bank mandate. (Recommendation 5) <p>In addition, the claim was adjusted for premises costs and training costs which were eligible expenditure relevant to this claim. (Recommendation 3)</p>	£2,716.40

Ref	Summary observations	Amendment
17	<p>Communities First – Rural North (RG02)</p> <p>The claim was qualified for the following reasons:</p> <ul style="list-style-type: none"> the authority had miscoded expenditure between categories of expenditure within the claim, although the overall amount was correct; (Recommendation 1) and the authority needs to improve the controls relating to the management of the bank account – in particular, it is inappropriate to hold pre-signed blank cheques. (Recommendation 5) 	£0
18	<p>Communities First – Holywell Neighbourhoods (RG02)</p> <ul style="list-style-type: none"> The adjustment related to ineligible childcare costs and miscoding of training costs. (Recommendation 3) 	£-5,020.40
20	<p>Communities First – Castle Ward Flint (core) (RG02)</p> <ul style="list-style-type: none"> The adjustment related to ineligible premises costs which were included in the wrong year. (Recommendation 3) 	£-2,000
23	<p>Communities First – Bryn Gwalia, (core) (RG02)</p> <ul style="list-style-type: none"> The claim was qualified because of control weaknesses relating to petty cash. (Recommendation 5) 	£0
25	<p>Social Services Performance Management (SOC09)</p> <ul style="list-style-type: none"> This claim was qualified because the Authority had not sought appropriate approval, from the Welsh Government, for changes to the agreed plan, as required by the Certificate Instructions. (Recommendation 4) 	£0
26	<p>Community Equipment (SOC27)</p> <ul style="list-style-type: none"> The minor adjustment related to an opening figure on the claim, which was brought forward incorrectly from the previous year (rounding error). (Recommendation 1) 	£1
	Total effect of amendments to the Authority	£63,693.78

Recommendations

9. We will follow up these recommendations during next year's audit.

R1	The Authority should ensure that claim forms are completed in accordance with the relevant grant terms and conditions. A <i>grant completion checklist</i> should be prepared, reviewed and authorised for each claim.
R2	The Authority should establish arrangements to ensure that the claim's financial transactions and other information is fully supported by source documentation eg, ledger prints, invoices, calculation of apportionments, timesheets, etc.
R3	Only eligible expenditure, and that incurred within the claim period, should be included within the claim. Advice from the Welsh Government should be sought prior to claim completion if in any doubt about the expenditure eligibility.
R4	Obtain approval for changes to the original plans/expenditure profiles from the grant-paying body before the claim is authorised by the Authority's certifying officer and submitted for audit.
R5	Ensure that effective controls operate for all separate bank accounts used for grant funding and management



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