

# Certification of Grants and Returns 2019-20 – Flintshire County Council

Audit year: 2019-20

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## Summary of certification work outcomes

- 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 2019-20 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2020-21.
- 4 For 2019-20, we certified three grant claims totalling a grant value of £106.6 million. The number of grant claims certified reduced significantly due to the Welsh Government no longer requiring certification of a number of its grant funded schemes.
- 5 The COVID-19 pandemic also impacted on the timely submission of claims and returns to us as only the Housing Benefit Subsidy claim was shared with us by the due date.
- 6 We would like to acknowledge the assistance and co-operation received from officers during the audit.

## Exhibit 1:

<b>Introduction and background</b>	<p><b>This report summarises the results of work on the certification of the Authority's 2019-20 grant claims and returns</b></p> <ul style="list-style-type: none"><li>• As appointed auditors of the Authority, we are asked on behalf of the Auditor General to certify grant claims made by the Authority.</li><li>• For 2019-20, we certified three grants and returns with a total value of £106.6 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 and returns</b>	<p><b>Pressures faced by services due to the pandemic impacted on the timely production of claims and returns</b></p> <ul style="list-style-type: none"><li>• Our analysis shows that one out of the three claims were received by the Authority's deadline. We can confirm that none of the delays caused audit adjustments to claims.</li><li>• 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.</li></ul>
<b>Certification results</b>	<p><b>All three grants and returns were qualified</b></p> <ul style="list-style-type: none"><li>• The reasons for qualifying the grants are detailed on pages 7 to 11 of this report.</li></ul>
<b>Audit adjustments</b>	<p><b>Adjustments were necessary to all grants as a result of our auditor certification work this year.</b></p> <ul style="list-style-type: none"><li>• There was no significant adjustment (ie, over £10,000). An adjustment of £133 was made on the Housing Benefit Subsidy Return and minor amendments to the Non-Domestic Rates Return and Teachers' Pensions Return.</li></ul>

<b>The Authority's arrangements</b>	<b>The Authority has adequate arrangements for preparing its grants and supporting our certification work, but some improvements are required as detailed on pages 7 to 11 of this report.</b>
<b>Fees</b>	<b>Our overall fee for certification of grants and returns for 2019-20 is £36,173 which was below our original estimate of £40,000 to £45,000.</b>

- 8 Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2019-20 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.

**Exhibit 2:**

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)
Housing Benefit and Authority Tax Subsidy	30.04	14.04	No	Yes	No	£133
Non-Domestic Rates Return	31.05	05.06	Yes	Yes	No	Yes*
Teachers’ Pensions	31.05	22.06	Yes	Yes	No	£0*
Total				3	£133	£0*

\* Amendment required to claim form as not properly completed, however, there was no financial impact on the return.

10 This table summarises the key issues behind each of the adjustments or qualifications.

**Exhibit 3: summary of key issues behind each of the adjustments or qualifications**

Ref	Summary observations	Amendment
1	<p><b>Housing Benefit and Authority Tax Subsidy</b></p> <ul style="list-style-type: none"> <li>• <b>Non-HRA rent rebates:</b> <ul style="list-style-type: none"> <li>– current year overpayment misclassification – our testing identified three cases (one of which also had an incorrect start date, see below) where overpayments had been incorrectly classified as eligible overpayments;</li> <li>– incorrect overpayment start date – testing identified one case where a technical overpayment was started from the incorrect date;</li> <li>– prior-year overpayment misclassification – we identified one case where an overpayment had been incorrectly classified as eligible overpayments;</li> <li>– incorrect start date – our testing identified one case which had been started from the incorrect date;</li> <li>– occupational pension income – testing identified one case where the amount of occupational pension included on the claim was incorrect, which resulted in an overpayment of benefit; and</li> <li>– a further two claims were unable to be fully reconciled due to Civica system issues identified, which were referred to the software provider for investigation.</li> </ul> </li> <li>• <b>HRA Rent Rebates:</b> <ul style="list-style-type: none"> <li>– incorrect non-dependent deduction - we identified one case where the income for a non-dependant had been incorrectly calculated.</li> <li>– testing identified one case where an overpayment had been incorrectly classified as eligible. This was an issue identified in previous years' qualification letters.</li> </ul> </li> </ul>	<p>Our qualification letter to the Department for Work and Pensions (DWP) reported extrapolated errors totalling £22,127. The claim was not amended for this extrapolated error in accordance with DWP guidance.</p> <p>The Department is currently considering our findings and is proceeding to decide on the potential recovery of any overpaid subsidy.</p>

Ref	Summary observations	Amendment
1	<p><b>Housing Benefit and Authority Tax Subsidy</b></p> <ul style="list-style-type: none"> <li>• <b>Rent Allowances:</b> <ul style="list-style-type: none"> <li>– overpayment classification – testing identified one case where an overpayment had been incorrectly classified as eligible.</li> <li>– incorrect amount of Employment &amp; Support Allowance [ESA] contribution-based income and incorrect tariff income – testing identified one case where the amount of ESA (contribution-based) income included was incorrect. Testing also identified that the tariff income included was incorrect.</li> <li>– incorrect Earned income – our testing identified one case where the amount of earned income included was incorrect.</li> <li>– under occupancy error – we identified one case where an under-occupancy charge was incorrectly excluded from the claim.</li> </ul> </li> <li>• <b>Modified scheme subsidy:</b> <ul style="list-style-type: none"> <li>– testing of a sample of six modified scheme cases identified three cases where supporting documentation to demonstrate that claimants were in receipt of war pension income was no longer retained by the Authority. We understand this was removed due to the application of the Authority's GDPR document retention policy.</li> </ul> </li> </ul> <p>The claim was amended as our audit identified errors that affected a number of cells within the return. The net effect of these amendments was to increase the amount receivable by the Authority by £133.</p>	<p>Our qualification letter to the Department for Work and Pensions (DWP) reported extrapolated errors totalling £22,127.</p> <p>The Department is currently considering our findings and is proceeding to decide on the potential recovery of any overpaid subsidy.</p>

Ref	Summary observations	Amendment
2	<p><b>Non-Domestic Rates Return:</b></p> <ul style="list-style-type: none"> <li>• minor amendments were required to the form to include a date and a zero instead of a blank cell, ensuring it was completed in accordance with instructions.</li> <li>• the Non-Domestic Rates Final Contributions Return was qualified as testing of Empty Property relief identified one instance where the Authority relied on certification from the landlord that the property was empty. No evidence of any checks being undertaken by the Authority to verify the accuracy of the landlord certification was provided.</li> <li>• contributions to the Pool in Line 27 of the NDR3 form of £60,505,312 was £198 less than shown in the Authority's general ledger.</li> <li>• testing of transitional relief in Line 4 of the return identified one case where the relief tested should have been classified as Empty Property relief in Line 12 of the claim. We understand this to be the result of Civica system issue causing the relief to be misclassified.</li> </ul>	<p>£0</p> <p>The amendments had no overall effect on entitlement.</p> <p>The matter on Empty Property relief was reported to the Welsh Government as required by the certification instruction.</p>

Ref	Summary observations	Amendment
3	<p><b>Teachers' Pensions Return:</b></p> <ul style="list-style-type: none"> <li>the Council prepared an amended return as the version originally submitted to us for certification contained arithmetical errors.</li> <li>testing of a sample of contributions teachers paid by the Council identified that one individual had paid their Employee Teachers' Pension contribution at the incorrect tier based on the salary paid. We reported similar findings in in 2018-19.</li> <li>the Monthly Breakdown Contribution forms sent to Teachers' Pension for the months of July and August 2019 were incorrect. Whilst the analysis on the submitted forms was incorrect, the total contributory salaries remained unchanged and the amount of contributions paid over to Teachers' Pensions was correct.</li> <li>our testing identified variances when comparing the breakdown of contributions for each tier in Section 3 of the return, to the expected contributions using the percentage rate of the contributory salary.</li> </ul>	<p>£0</p> <p>The amendments had no overall effect on entitlement.</p> <p>The matters were reported to Teachers' Pensions as required by the certification instruction.</p>
	<b>Total effect of amendments to the Authority</b>	<b>£133</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.

### Exhibit 4:

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.

**Exhibit 5:**

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Errors in housing subsidy claim, including:</p> <ul style="list-style-type: none"> <li>• housing subsidy overpayments misclassified;</li> <li>• incorrect start date applied;</li> <li>• income for non-dependant deductions incorrectly applied;</li> <li>• instances identified where earned income, ESA (contributions based) income and tariff income found to be incorrect; and</li> <li>• under-occupancy charge incorrectly excluded from the claim.</li> </ul>	<p>Claims may be qualified.</p>	<p>R1 Review the existing quality assurance arrangements for housing benefit overpayments, awards and deductions to determine whether they can be strengthened to reduce the number of errors in the housing subsidy claim.</p>	<p>1</p>	<p>HB quality assurance is currently being planned for 21/22. We aim to strengthen the areas identified by targeted testing and coaching/training for any issues identified.</p>	<p>Ben Steventon and Anna Friend Ongoing through 2021/22</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Housing benefit system issues resulting in the benefit awarded not being to be fully reconciled.	Claims may be qualified.	R2 Continue to engage with the Authority's software supplier (Civica) to resolve all issues and correct affected claims as appropriate to ensure they fully reconcile to the system.	1	System issues remain outside the control of the LA. The agreed protocol is to flag issues with software provider for investigation. These invariably take time to be investigated/resolved.	Systems Team Ben Steventon Robyn Turp, Ellen Lovelock  Issues reported as identified.
Documentation demonstrating modified scheme subsidy claimants were in receipt of war pension income was no longer retained by the Authority.	Insufficient supporting documentation leading to claim being qualified.	R3 Review the policy for retaining documentation in support of those in receipt of war pension income.	2	-	Ben Steventon and Anna Friend  Target date of before March 2021.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Contributions to the pool not fully reconciled to the Authority's financial ledger.	Any variance in contribution may need to be recovered by the Welsh Government.	R4 Fully reconcile contributions to pool to the financial ledger prior to submission to the Welsh Government.	1	We accept that the final contributions to the pool do not always fully reconcile to the ledger, but the differences are usually very marginal and certainly within the tolerance acceptable to WG when the overall value of the return (circa £60.5m) is considered.	-
No evidence of any checks being undertaken by the Council to verify the accuracy of the landlord certification for Empty Property relief.	Empty property relief awarded in error.	R5 Undertake checks of empty property relief to verify the accuracy of landlord certification.	1	We have discussed the issue with Audit Wales and Welsh Government and we do not accept the audit recommendation on this occasion. Based on audit testing guidelines, we note the need to provide a certification to Welsh Government (WG), but following the audit certification, WG accept our decisions. In respect of the one case that was identified during audit testing, the Council acted on credible source documentation from the landlord, who certified in writing that the property is empty. It is reasonable for the Council to act on this information and a copy is held on file. We had no reason to doubt the validity of the landlords declaration and acting	-

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
				<p>on these updates is not unusual. Our decision to amend the NDR liability was in line with our standard operating procedures, which are aligned to the same procedures adopted by all LA's across Wales.</p> <p>The Council continues to have a robust property inspection procedure in place for NDR empty properties and we maintain a property inspection service where it is necessary to inspect. Ad-hoc property inspections are carried out where we have concerns about the validity of a claim that a property might not be empty, despite the landlord/owners written declaration.</p> <p>In any event, empty properties only attract short periods of exemption of either 3 or 6 months. The taxation system therefore provides relevant opportunities and incentives for landlords to provide relevant updates or changes which may impact on their NDR liabilities. After the short period of exemption full rate liability applies to the ratepayer, landlord or owner, as was the case for the single case identified during testing.</p>	

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Misclassification of transitional relief as empty property relief.	Misclassification of reliefs could impact on contributions to the pool.	R6 Review reliefs to ensure they are correctly classified.	2	The minor misclassification resulted in one figure being recorded in one line as opposed to another. It did not result in any material or financial adjustment to the overall claim. Notwithstanding this, we accept the effects that misclassifications could have on accuracy of claims. Enhanced checks will therefore be undertaken to ensure all financial data is captured in the correct data cells.	David Barnes, Revenues Manager  30 April 2021
Teachers' pension contributions deducted at the incorrect rate.	Teachers' pension records may be inaccurate if not resolved, which could result in an incorrect pension being paid on retirement.	R7 Engage with the Authority's payroll software supplier (Midland) to determine the cause of the errors to help avoid similar errors reoccurring.	1	Issue with the calculation has been raised and a proposed resolution is currently being tested	Paul Jones, Team Leader (Payroll and Systems)  October 2021

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Incorrect figures for contributory salaries and teachers' contributions between the tiers were included in the July and August 2019 Monthly Breakdown Contributions submitted to Teachers' Pensions.</p>	<p>Inaccurate contributions between the tiers shared with teachers' pensions if not resolved.</p>	<p>R8 Review Monthly Breakdown Contributions submitted to Teachers' Pensions for accuracy prior to submission.</p>	<p>3</p>	<p>Guidance document to be updated to ensure the accuracy of values being reported to Teachers' Pensions. The variables table noted in R9 will assist with this check.</p>	<p>Paul Jones, Team Leader (Payroll and Systems)  October 2021</p>
<p>Variations identified when comparing the breakdown of contributions for each tier in Section 3 of the EOYC to the expected contributions using the percentage rate of the contributory salary.</p>	<p>Teachers' pension records may be inaccurate if not resolved, which could result in inaccurate information being submitted to Teachers' Pensions.</p>	<p>R9 Fully reconcile contributions for each tier in Section 3 of the EOYC to the expected contributions.</p>	<p>3</p>	<p>Guidance document to be updated to ensure that any variations are resolved, if possible, prior to information, for the period, being passed to Teachers' Pension.</p>	<p>Paul Jones, Team Leader (Payroll and Systems)  October 2021</p>



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