

# Certification of Grants and Returns 2021-22 – Flintshire County Council

Audit year: 2021-22

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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 2021-22 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2022-23.
- 4 For 2021-22 we certified three grant claims totalling a grant value of £110.4 million (2020-21: 3 claims totalling £108.6m).
- 5 We would like to acknowledge the assistance and co-operation received from officers during the audit.
- 6 Detailed on the following pages is a summary of the key outcomes from our certification work on the Authority's 2021-22 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.

|   |   |
|---|---|
| <b>Introduction and background</b>          | <p><b>This report summarises the results of work on the certification of the Authority’s 2021-22 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 2021-22, we certified three grants and returns with a total value of £110.4 million.</li> <li>– This report provides feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements to your processes for preparing and co-ordinating the accurate, timely completion of grant claims and returns.</li> </ul> |
| <b>Timely receipt of claims and returns</b> | <p><b>Two of the three grants and returns were received on time.</b></p> <ul style="list-style-type: none"> <li>– Our analysis shows that two of the three claims and returns were received by the Auditor’s deadline. This represents a decline from 2020-21 where all the returns were received on time.</li> <li>– All three claims were certified after the relevant certification dates. All grant paying bodies were kept up-to-date throughout the audits. The late receipt of one claim or return by Audit Wales had no effect on the certification deadlines.</li> </ul>   |
| <b>Certification results</b>                | <p><b>One of the three claims and returns were qualified.</b></p> <ul style="list-style-type: none"> <li>– This is an improvement from 2020-21 where all three claims and returns were qualified.</li> <li>– The reasons for qualifying the grants are detailed on pages 7 to 9 of this report.</li> </ul>  |
| <b>Audit adjustments</b>                    | <p><b>Adjustments were necessary to two claims or returns as a result of our work this year.</b></p> <ul style="list-style-type: none"> <li>– This is a decline from 2020-21, where adjustments were necessary to only one claim or return submitted for audit.</li> <li>– There was one significant adjustment (i.e. over £10,000) made to the Non-Domestic Rates return of £191,000.</li> <li>– An adjustment of £1,628 was also made on the Housing Benefit Subsidy Return.</li> </ul>   |
| <b>The Authority’s arrangements</b>         | <p><b>The Authority has adequate arrangements for preparing its grants and supporting our certification work, but some improvements are required as detailed on pages 10 to 13 of this report.</b></p>  |

| <b>Grants and returns</b>                 | <b>Claim due</b> | <b>Claim received</b> | <b>Late Submission</b> | <b>Qualified certificate</b> | <b>Adjustment (&gt;£10,000)</b> | <b>Adjustment (&lt;£10,000)</b> |
|---|------------------|-----------------------|------------------------|------------------------------|---------------------------------|---------------------------------|
| Housing Benefit and Authority Tax Subsidy | 30 April         | 28 April              | No                     | Yes                          | No                              | £1,628                          |
| Non-Domestic Rates Return                 | 27 May           | 14 November           | Yes                    | No                           | £191,000                        | No                              |
| Teachers' Pensions                        | 30 June          | 26 May                | No                     | No                           | No                              | No                              |
| <b>Total</b>                              |                  |                       |                        |                              | <b>£191,000</b>                 | <b>£1,628</b>                   |

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

| Ref | Summary observations   | Amendment   |
|-----|--|---|
| 1   | <p><b>Housing Benefit and Authority Tax Subsidy</b></p> <p><b>Non-HRA rent rebates</b></p> <ul style="list-style-type: none"> <li>– System issue – testing identified an anomalous overpayment resulting in expenditure being incorrectly included.</li> <li>– System issue – testing identified a duplicate benefit payment being created for a specific period.</li> <li>– Overpayment misclassification – testing identified two cases where overpayments had been misclassified as eligible overpayments.</li> <li>– Expenditure misclassification – testing identified expenditure which had been classified within the incorrect subsidy cell.</li> </ul> <p><b>HRA Rent Rebates</b></p> <ul style="list-style-type: none"> <li>– Incomplete use of available evidence – testing identified one case where income included within Real Time information had not been applied to the claim.</li> <li>– Incorrect earned income – testing identified one case where earned income included in the claim was incorrect.</li> <li>– Overpay misclassification – testing identified one case where an overpayment had been incorrectly classified as LA error and administrative delay.</li> </ul> <p><b>Rent Allowances</b></p> <ul style="list-style-type: none"> <li>– Incorrect non-dependant income – testing identified two cases where the income used to calculate non-dependant deductions was incorrect.</li> </ul> | <p>Our qualification letter to the Department for Work and Pensions (DWP) also reported extrapolated errors totalling £6,979.</p> <p>The DWP is currently considering our findings and is proceeding to decide on the potential recovery of any overpaid subsidy.</p> |

|          |  |                             |
|----------|--|-----------------------------|
|          | <ul style="list-style-type: none"> <li>– Incorrect earned income – testing identified one case where earned income included in the claim was incorrect.</li> </ul> <p>The claim was amended as our audit identified errors that affected several cells within the return. The net effect of these amendments was to increase the amount payable to the Department for Work and Pensions by the Authority by £1,628.</p>  | £1,628                      |
| <b>2</b> | <p><b>Non-Domestic Rates Return</b></p> <ul style="list-style-type: none"> <li>– Testing of small business rate relief for Post Offices identified four properties in receipt of the relief that were not Post Offices. This misclassification had no effect on the contribution to the pool and is being corrected in 2022-23.</li> <li>– Original Contributions to the Pool in Line 27 of the NDR3 form of £64,771,663 were £8,839 less than shown in the Authority’s general ledger.</li> <li>– Incorrect signage was used in the calculation of losses in collection within Line 25 resulted in amendment to the claim of £191,000.</li> </ul> | <p>None</p> <p>£191,000</p> |
| <b>3</b> | <p><b>Teachers’ Pensions Return</b></p> <ul style="list-style-type: none"> <li>– No issues were noted during the audit of the return.</li> </ul>   | None                        |
|          | <b>Total effect of amendments to the Authority</b>   | <b>£192,628</b>             |



# Recommendations

- 9 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                        |
|---|--------------------------------|---|----------|--|--|
| <p><b>Housing Benefit and Authority Tax Subsidy</b></p> <p>Errors in the housing subsidy claim, particularly:</p> <ul style="list-style-type: none"> <li>• housing subsidy overpayments misclassified; and</li> <li>• incorrect earned income in benefit calculation</li> </ul> | <p>Claim 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>Overpayments and earned income testing are at the forefront of our 2023/24 quality assurance plan. Whilst errors were identified, the LA considers the audited claim to be exceptionally accurate, achieving 99.82% accuracy in LA Error.</p> | <p>Ben Steventon/Anna Friend</p> <p>Ongoing in 2023/24</p> |

| Issue  | Implication   | Recommendation  | Priority | Comment   | Responsible officer and target date                        |
|--|---|---|----------|---|--|
| <p><b>Housing Benefit and Authority Tax Subsidy</b></p> <p>Housing benefit system issues resulting in the benefit awarded not able to be fully reconciled.</p> | <p>Claim may be qualified.</p>  | <p>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.</p> | <p>1</p> | <p>We continue to engage with Civica regarding system issues but in the main, these are largely out of the control of the LA. Issues tend to be raised as 'bugs' by the software provider and these often takes months or years to be resolved.</p> | <p>Ben Steventon/Anna Friend</p> <p>Ongoing in 2023/24</p> |
| <p><b>Non-Domestic Rates Return</b></p> <p>Contributions to the pool not fully reconciled to the Authority's financial ledger.</p>                             | <p>Any variance in contribution may need to be recovered by the Welsh Government.</p> | <p>R4 Fully reconcile contributions to pool to the financial ledger prior to submission to Welsh Government.</p>  | <p>1</p> | <p>Line 25 in the NDR3 return was inadvertently recorded as a £95.5k positive value as opposed to a negative value which impacted on</p>  | <p>Vicki Hankin</p> <p>31/07/2023</p>                      |

| Issue  | Implication                     | Recommendation   | Priority | Comment  | Responsible officer and target date     |
|--|---------------------------------|--|----------|--|---|
|  |                                 |  |          | <p>the overall claim by circa £191k. Officers in the Revenues service identified the error at the start of the audit and alerted the auditor to the typographical error. Additional measures have been put in place to check the values and +/- signs in relevant cells.</p> |   |
| <p><b>Non-Domestic Rates Return</b><br/>Incorrect classification of small businesses (although no effect on claim)</p> | <p>Return may be qualified.</p> | <p>R5 Ensure that businesses/ properties are assigned correct coding within the Non-Domestic Rates system.</p> | <p>3</p> | <p>A very small number of incorrectly classified have been corrected. Additional measures have</p>   | <p>Vicki Hankin<br/><br/>31/07/2023</p> |

| Issue   | Implication   | Recommendation   | Priority | Comment  | Responsible officer and target date |
|---|---|--|----------|--|-------------------------------------|
|   |   | Review existing quality assurance arrangements for classification of businesses to identify improvements.  |          | been put in place to check the classifications, even though the errors did not have any material effect on the claim   |                                     |
| <p><b>Teachers Pension's Return</b></p> <p>Significant delays were experienced in obtaining suitable and sufficient evidence to support entries within the End of Year Certificate.</p> | Return may not be submitted within deadline or submitted as qualified due to insufficient evidence. | R6 Ensure that all audit evidence is available to auditors and queries are responded to in a timely manner | 2        | Agreed – The method of providing information to Audit Wales changed for the 2021/22 Return which resulted in unforeseen technical difficulties. All future evidence will be loaded onto the shared database in a timely manner | John Griffiths<br><br>30/06/2023    |

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galwadau ffôn yn Gymraeg a Saesneg.

