



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2017-18 – **Flintshire County Council**

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised of Matthew Edwards, Mike Whiteley, Kelly Jarvis, Mike Hitchings, David Tomalin, Heather Favager and other members of the Wales Audit Office audit team.

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# Summary report

## 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 coordinated, accurate, timely and properly documented grant claims?’
- 3 We have completed the audit and conclude due to the large number of claims requiring qualification and amendment, **there is clear scope for the Authority to improve its grant management arrangements**. We are continuing to work with the Authority to make these improvements for 2018-19 and future years.
- 4 For 2017-18 we certified ten grant claims with a total value of £129 million (2016-17 12 grant claims totalling £137 million). The reduction in the number of grant claims is due to the introduction of the Welsh Government Single Summary of Grants, which includes a number of claims which were previously certified separately.
- 5 The Authority submitted 90 per cent of its 2017-18 grant claims to us on time. We can confirm that we have certified all of the claims at a total audit cost of £64,687 (£62,613 in 2016-17). Overall, the audits did not result in any changes to the amounts claimable by the Authority in respect of 2017-18. The increase in the audit cost is attributable to the additional work we undertook due to the large number of claims requiring qualification or amendment.
- 6 Half of the claims audited were qualified. This represents a deterioration from 2016-17, where 33% of the claims were qualified.
- 7 We would like to acknowledge the assistance and co-operation received from officers during the audit.

## Headlines

<p><b>Introduction and background</b></p>	<p><b>This report summarises the results of work on the certification of the Authority's 2017-18 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 2017-18, we certified ten grants and returns with a total value of £129 million.</li> <li>• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management to enable us to work together to identify further improvements to the Authority's grants managements arrangements.</li> </ul>
<p><b>Timely receipt of claims</b></p>	<ul style="list-style-type: none"> <li>• Our analysis shows that nine of the ten grants received during the year were received by the Authority's deadline. The remaining return, the Welsh Government Single Summary of Grants, was submitted by the Authority to the Welsh Government 37 days after the deadline, on 24 July 2018. Whilst there were a small number of errors in the template provided by Welsh Government, the Authority was not fully aware of the requirements of the claim and consequently a significant number of errors made by the Authority were present in the version submitted. The Welsh Government agreed to an extended deadline of 6 November 2018 for the Authority to re-submit a revised claim.</li> <li>• We encountered difficulties in obtaining responses to some audit queries this year, however this did not cause any delay to our submission of the certified claims by the required deadlines.</li> <li>• In future, the Authority's grant co-ordinator should ensure that all grant claims are submitted by the deadlines and 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.</li> </ul>

<p><b>Certification results</b></p>	<p><b>We issued unqualified certificates for five grants and returns but qualifications were necessary in five cases (50 per cent)</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 2017-18: <ul style="list-style-type: none"> <li><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>– Non-compliance with Welsh Government terms and conditions for virements;</li> <li>– Incorrect rent amount used when determining housing benefit entitlement; – Earned income assessments for housing benefit claims were incorrect; and</li> <li>– Misclassification of housing benefit overpayments in the housing subsidy claim. <b>Qualification issues reported for the first time in 2017-18</b> <ul style="list-style-type: none"> <li>– Unable to reconcile claim expenditure to the Authority’s financial ledger; and</li> <li>– Bad debts that were not written off in accordance with relevant Authority policy.</li> </ul> </li> </ul> </li> <li><b>Qualification issues outside the Authority’s control</b> <ul style="list-style-type: none"> <li>– Technical issues with the housing benefit system (Civica) which resulted in a number of errors in the Housing Subsidy claim.</li> </ul> </li> </ul> </li> </ul>
<p><b>Audit adjustments</b></p>	<p><b>Adjustments were necessary to two 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>• An adjustment of £11,151 was made on the Housing Subsidy claim to correct for errors identified. The effect of this adjustment was to increase the amount payable by the Authority by £330.</li> <li>• The 21<sup>st</sup> Century Schools grant claim form had to be amended as the form had not been fully completed. There was no financial impact on the amount claimable by the authority as the amendment related to an information section of the form.</li> </ul>
<p><b>The Authority’s arrangements</b></p>	<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 a number of recommendations which are detailed on page 12 of this report which, if implemented, will help the Authority improve its arrangements in readiness for the 2018-19 grant claim certification audit.</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 2017-18 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 2017-18

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

- Four were unqualified with no amendment
- One was unqualified but required some amendment to the final figures
- Four required a qualification to our audit certificate
- Four 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	30/04	No	Yes	No	(£11,151)	No
2 – LA01	NDR Non-Domestic Rates Return	31/05	31/05	No	Yes	No	No	No

3	– EDU18	21 <sup>st</sup> Century Schools	30/09	05/09	No	No	No	£0*	Yes		
4	– SOC07	Social Care Workforce Development Programme	28/09	27/09	No	No	No	No	Yes		
5	– LA99	Single Summary of Grants	15/06	24/07	Yes	^	^	^	^		
6	– TRA15	Local Transport Fund	30/09	28/09	No	No	No	No	Yes		
7	– TRA23	Free Concessionary Travel	**	**	**	N/a	N/a	N/a	N/a		
8	– TRA27	Bus Services Support Grant	22/10	22/10	No	Yes	No	No	No		
9	– RG03	Communities First	31/07	31/07	No	Yes	No	No	No		
10	– PEN05	Teachers' Pensions	31/05	23/05	No	Yes	No	No	No		
		Total						5	£0	(£11,151)	5

\* Amendment required to claim form as not fully completed (information only section)

\*\* No requirement for financial claim to be certified as this is covered by the Single Summary of Grants. Our work under this certification instruction comprised of two separate reports on Smartcard usage data and management arrangements in respect of ISAM chips.

^ The Welsh Government requires auditor findings to be reported in an observation letter, so no qualification is possible on this claim. Consequently, no amendments are possible to the claim.

10 This table summarises the key issues behind each of the adjustments or qualifications that were identified on page 9.

Ref	Summary observations	Amendment
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1	<p><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>• Incorrect assessment of earned income – our testing identified one case where the income earned by the claimant had been incorrectly calculated and applied, which resulted in an overpayment of benefit.</li> <li>• System issues – our testing identified six cases where issues with the Authority's housing benefit system (Civica) resulted in errors being identified in the housing subsidy claim. The Authority has raised these issues with Civica and is working to resolve them.</li> <li>• Overpayment classification – our testing identified three cases where the Authority has misclassified the overpayment in the subsidy claim.</li> <li>• Incorrect rent – our testing identified one case where the Authority input the claimant's rent incorrectly, resulting in an overpayment.</li> </ul> <p>The claim was amended as 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 totalled £11,151, which, due to the way in which subsidy is calculated, resulted in an increase in the amount payable by the Authority of £330.</p>	<p>Our qualification letter to the Department for Work and Pensions (DWP) reported extrapolated errors totalling £29,511.</p> <p>The Department is currently considering our findings and will proceed in due course to decide on the recovery of any overpaid subsidy.</p> <p>(£330)</p>
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Ref	Summary observations	Amendment
2	<p><b>NNDR</b></p> <ul style="list-style-type: none"> <li>• The Non-Domestic Rates Final Contributions Return was qualified as the Authority was unable to fully reconcile claim expenditure to the financial ledger. Contributions to the pool in the Authority's financial ledger were £19,047 higher than that recorded in the return.</li> <li>• The return was also qualified as the Authority did not follow its policy when writing off some bad debts, totalling £165,435.</li> </ul>	<p>No amendment required.</p>

5	<p><b>Single Summary of Grants</b></p> <ul style="list-style-type: none"> <li>The original return was submitted to the Welsh Government after the agreed deadline. Initial audit review of the return identified a significant number of errors. Discussions with officers identified this return had been overlooked by the Authority and there was no clear lead for compiling the claim and ensuring the entries were in accordance with the Welsh Government guidance.</li> <li>The Welsh Government agreed that the Authority could submit a replacement pre-audit return, which the guidance does not permit, given the number of errors in the return.</li> <li>The replacement return submitted in November 2018 still contained a number of errors, which we reported in our observations letter to the Welsh Government.</li> </ul>	No amendment required.
8	<p><b>Bus Service Support Grant</b></p> <ul style="list-style-type: none"> <li>The Authority was unable to demonstrate there was sufficient monitoring of third party expenditure (by other local authorities) within the claim. Although a system was introduced following our 2016/17 audit, it does not currently provide sufficient assurances that the grant funding is being used wholly for the purposes of the grant.</li> </ul>	No amendment required.
<b>Ref</b>	<b>Summary observations</b>	<b>Amendment</b>
9	<p><b>Communities First</b></p> <ul style="list-style-type: none"> <li>The Authority was unable to demonstrate that it had complied with Welsh Government terms and conditions for virements between 'Project Delivery' and 'Other', as prior approval was not sought for the virement.</li> <li>A contract of £94,202 was awarded during the year, but the Authority was not able to provide evidence to demonstrate that the award followed the contract procedure rules.</li> </ul>	N/a
10	<p><b>Teachers' Pensions</b></p> <ul style="list-style-type: none"> <li>The breakdown of pension contributions for each tier of salary on the return did not agree to the amount calculated using the expected pension contribution rate specified by Teachers' Pensions. Contributions included on the return were £3,012 higher than the figures recalculated as part of the audit.</li> </ul>	N/a
	<b>Total effect of amendments to the Authority</b>	<b>(£330)</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
Claim not prepared correctly.	The Authority has not complied with the terms and conditions of grant.	R1 A lead should be nominated for the Single Summary of Grants with responsibility for compiling the return and ensuring it is completed in accordance with Welsh Government guidance.	1	A nominated grant coordinator lead is being incorporated into the new finance operating model.	Dave Ledsham – Finance Manager 1 June 2019

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 grantpaying body that only eligible expenditure incurred by third parties is included in the claim.	2	Revised and more robust monitoring arrangements have been put in place for the Bus Services Grant to evidence eligible expenditure for third parties	Dave Ledsham – Finance Manager  31 March 2019
Contracts not awarded in accordance with procurement procedures.	The Authority has not complied with the terms and conditions of grant.	R3 Ensure evidence is retained to demonstrate contract procedure rules have been complied with and that this evidence is available for audit.	1	Service and Finance leads will be reminded of their responsibilities around contract procedure rules and the need to provide evidence for audit	Sara Dulson – Finance Manager  1 June 2019

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 to be sought in a timely manner from the grant-paying body for all virements, and evidence of the approval is retained.	2	The virement issue within the Communities First Grant was within the agreed 5% threshold and verbal approval received. It is noted the need to obtain formal evidence in advance.	Lynne O Reilly  31 March 2019

Housing subsidy overpayments misclassified.	Claims may be qualified.	R5 Review the existing quality assurance arrangements around housing benefit overpayments to determine whether they can be strengthened to reduce the number of errors in the housing subsidy claim.	2	A review of current arrangements will be undertaken.	Jen Griffiths 1 June 2019
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Housing benefit system issues resulting in errors in the housing subsidy claim.	Claims may be qualified.	R6 Continue to engage with the Authority's software supplier (Civica) to resolve all issues and correct affected claims as appropriate.	1	Engagement is ongoing and work will be completed when issues are resolved	Jen Griffiths 1 June 2019
Earned income being incorrectly assessed for housing benefit claims.	Claims may be qualified.	R7 Review the effectiveness of quality assurance arrangements in place for checking earned income claims as errors are still being identified in the housing subsidy claim.	2	A review of current arrangements will be undertaken.	Jen Griffiths 1 June 2019

Claim expenditure not fully reconciled to the Authority's financial ledger.	Any over claim may need to be recovered by the Welsh Government.	R8 Fully reconcile all claim expenditure to the financial ledger prior to submission to the Welsh Government.	1	This related to the NDR claim which is complex and historically difficult to reconcile. However, a full reconciliation will be undertaken prior to Welsh Government submission	David Barnes – Revenues Manager  31 March 2019
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<b>Issue</b>	<b>Implication</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Comment</b>	<b>Responsible officer and target date</b>
Bad debts not written off in accordance with the Authority's policies.	Claims may be qualified.	R9 Ensure the Corporate Debt Recovery policy is followed when debts are written off and evidence is retained to demonstrate this.	2	A reminder of the process to be followed when considering potential debt write offs to be provided to all relevant officers	David Barnes– Revenues Manager  31 March 2019

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