



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2018-19 – **Flintshire County Council**

Audit year: 2018-19

Date issued: March 2020

Document reference: 1754A2020-21

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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 (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 2018-19 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2019-20. Our conclusion for 2018-19 is based on the following overall findings:
- 4 For 2018-19 we certified 10 grant claims, the same as 2017-18; however, the grant value was £18 million more due to changes in the grants requiring certification.
- 5 The Authority submitted all of its 2018-19 grant claims to us on time, which is an improvement from prior years. We can confirm that we have certified all of the claims, at a total audit cost of some £61,479 (2017-18: £64,687). The audits resulted in an additional £45,285 being claimable by the Authority in respect of 2018-19.
- 6 Forty percent of the claims were qualified; this represent an improvement from 2017-18 where half of the claims were qualified.
- 7 We would like to acknowledge the assistance and co-operation received from officers during the audit.

Summary of certification work outcomes

Introduction and background	<p>This report summarises the results of work on the certification of the Authority's 2018-19 grant claims and returns</p> <ul style="list-style-type: none"> • As appointed auditors of the Authority, we are asked on behalf of the Auditor General to certify grant claims made by the Authority. • For 2018-19, we certified ten grants with a total value of £148 million. • 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 Authority's grants managements arrangements, as it prepares for the implementation of the recent changes announced by Welsh Government to the certification requirements for its grants from 2019-20.
Timely receipt of claims	<ul style="list-style-type: none"> • Our analysis shows that all the grants received during the year were received by the Authority's deadline. • We encountered some difficulties obtaining timely responses to a number of audit queries. This was due in part to new officers being responsible for some of the claims this year. This contributed to delays in the submission of certified claims, with half of the claims being submitted after the required deadlines.
Certification results	<p>We issued unqualified certificates for six grants and returns but qualifications were necessary in four cases (40 per cent)</p> <ul style="list-style-type: none"> • 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 2018-19: <p>Qualification issues reported in previous financial years</p> <ul style="list-style-type: none"> • Insufficient monitoring of third-party expenditure; • Lack of supporting evidence to demonstrate compliance with the Authority's Standing Orders for contracts;

	<ul style="list-style-type: none"> • Incorrect rent amount used when determining housing benefit entitlement; • Assessed income amounts for housing benefit claims were incorrect; and • Misclassification of housing benefit overpayments in the housing benefit subsidy claim. <p>Qualification issues reported for the first time in 2018-19</p> <ul style="list-style-type: none"> • Misclassification of expenditure between tenure types in the housing benefit subsidy claim; and • Ineligible expenditure items included within claims. <p>Qualification issues outside the Authority’s control</p> <ul style="list-style-type: none"> • Technical issues with the housing benefit system (Civica) which resulted in a number of errors in the Housing Subsidy claim. This was also reported in previous financial years.
<p>Audit adjustments</p>	<p>Adjustments were necessary to five 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 (i.e. over £10,000). An adjustment of £11,564 was made on the Non-Domestic Rates return, and £55,884 was made on the Bus Services Support Grant. • The net adjustment to the two grants resulted in an increase of £44,320 compared to the original claims submitted. The element relating to the Bus Services Support Grant, £55,884, relates to the BSSG reserve held by the Authority on behalf of Welsh Government, which does not directly increase the amount payable to the Authority. Excluding the significant adjustment above, the net adjustment of the other three grants was an increase of £965 to the Authority.
<p>The Authority’s arrangements</p>	<p>The Authority has generally adequate arrangements for preparing its grants and returns, and supporting our certification work, but some improvements are required:</p> <ul style="list-style-type: none"> • We have made a number of recommendations which are detailed on page 12 of this report. The Authority needs to focus on implementing these recommendations in preparation for the changes to the Welsh Government grants certification arrangements from 2019-20.

- 8 Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2018-19 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 2018-19

Overall, we certified 10 grants and returns:

- Three were unqualified with no amendment.
- Two were unqualified but required some amendment to the final figures.
- One required a qualification to our audit certificate with no amendment.
- Three were qualified and required some amendment to the final figures.
- One claim requires auditor findings to be reported in an observation letter.

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	£5,022	No
2 – LA01	NDR Non-Domestic Rates Return	31/05	31/05	No	No	(£11,564)	No	Yes
3 – EDU18	21 st Century Schools	30/09	27/09	No	No	No	No	Yes
4 – LA99	Single Summary of Grants	30/09	30/09	No	^	^	^	^
5 – TRA15	Local Transport Fund	30/09	27/09	No	No	No	No	Yes
6 – TRA23	Free Concessionary Travel	30/09	27/09	No	Yes	No	(£4,057)	No
7 – TRA27	Bus Services Support Grant	30/09	27/09	No	Yes	£55,884	No	No
8 – PEN05	Teachers Pensions'	30/06	30/06	No	Yes	No	No	No
9 – LA12	Sustainable Waste Management	31/08	22/08	No	No	No	£0*	Yes
10 – TRA28	Youth Travel Scheme	30/09	30/09	No	No	No	No	Yes
Total					4	£44,320	£965	5

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

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

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

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> • Incorrect assessed earnings figure – our testing identified 39 cases where the Authority had used the incorrect amount. This resulted in an overpayment of benefit in 20 of these cases. • Overpayment classification – our testing identified 12 cases where the Authority misclassified the overpayment in the subsidy claim. • Incorrect rent – our testing identified two cases where the Authority input the claimant’s rent incorrectly, resulting in an overpayment. • Expenditure misclassification – our testing identified that all the cases within a cell on the claim (82 cases) were incorrectly classified as HRA tenancy but should have been Non-HRA Rent Rebate tenancy. The total value of the error was £67,036, which the Authority chose not to correct. There was no impact in subsidy as a result of this error. • System issues – our testing identified two 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. There are still issues identified as part of the 2017-18 audit that remain outstanding with Civica. <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 £5,022.</p>	<p>Our qualification letter to the Department for Work and Pensions (DWP) reported extrapolated errors totalling £10,254.</p> <p>The Department is currently considering our findings and is proceeding to decide on the potential recovery of any overpaid subsidy.</p> <p>An increase of £5,022 to the amount receivable by the Authority.</p>

Ref	Summary observations	Amendment
2	<p>NDR Non-Domestic Rates Return</p> <ul style="list-style-type: none"> • Our testing identified that the return had been incorrectly compiled in relation to transitional relief, which resulted in an overstatement of £11,564. • The return was qualified in 2017-18 as the Authority was unable to fully reconcile claim expenditure to the financial ledger. The difference in 2017-18 was £19,047. Whilst not being a qualification issue this year, as it was below the Welsh Government's reporting threshold of £10,000, a difference of £6,383 remained between the claim expenditure and amounts recorded in the financial ledger. 	<p>The Authority's contribution to the NNDR Collection Pool increased by £11,564</p>
4	<p>Single Summary of Grants</p> <ul style="list-style-type: none"> • Our review of a sample of new contracts awarded in the year identified that one service level agreement was not awarded in accordance with the Authority's standing orders. • Testing a sample of expenditure items identified £17,600 of ineligible expenditure included on the Families First scheme. • The grant awarded amount recorded in the return was incorrect for both the Flying Start schemes. 	<p>Not applicable as the Welsh Government requires auditor findings to be reported in an observations letter. No qualification or amendments are required to be made to the claim for issues identified.</p>
6	<p>Free Concessionary Travel</p> <ul style="list-style-type: none"> • Operator costs had been incorrectly duplicated in the claim expenditure. • The Authority was unable to demonstrate there was sufficient monitoring of third-party expenditure within the claim, to ensure it was in accordance with the terms and conditions of the grant. 	<p>A decrease of (£4,057) to the amount receivable by the Authority.</p>

Ref	Summary observations	Amendment
7	<p>Bus Services Support Grant</p> <ul style="list-style-type: none"> Annual expenditure was understated due to balances from prior years being incorrectly omitted from the current year's claim form. The claim allows for a carry forward of 10% of the grant allocation. Due to the claim being amended to correct for the above error, the carry forward amount was 10.9%. 	An increase of £55,884 to the BSSG reserve held on behalf of Welsh Government.
8	<p>Teachers' Pensions</p> <ul style="list-style-type: none"> 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 £79 higher than the figures recalculated as part of the audit. Our testing identified that two teachers were in the incorrect tier and therefore their employee contributions were being deducted at the incorrect rate. 	<p>No amendments required – differences identified from analytical review and not separately identifiable to individuals.</p> <p>The matters have been reported to Teachers' Pensions as required by the certification instruction.</p>
	Total effect of amendments to the Authority	£45,285

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
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.	R1 The Authority must have adequate procedures in place to ensure only eligible expenditure incurred by third parties is included in the claim.	1	Systems are in place with expenditure monitored. Evidence of this process will be included as part of the monitoring information supplied to auditors from 2019-20.	Ceri Hansom 01/04/2020
Contracts not awarded in accordance with procurement procedures.	The Authority has not complied with the terms and conditions of grant.	R2 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.	Dave Ledsham 01/04/2020
Housing subsidy overpayments misclassified.	Claims may be qualified.	R3 Review the existing quality assurance arrangements for housing benefit overpayments to	2	A review of current arrangements is being undertaken as part of the services	Jen Griffiths 01/06/2020

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
		determine whether they can be strengthened to reduce the number of errors in the housing subsidy claim.		Quality Assurance Testing Plan.	
Housing benefit system issues resulting in errors in the housing subsidy claim	Claims may be qualified.	R4 Continue to engage with the Authority's software supplier (Civica) to resolve all issues and correct affected claims as appropriate.	1	Engagement with Civica is ongoing to resolve the issues.	Jen Griffiths 01/06/2020
Assessed earned figures being inaccurately recorded in the assessment of housing benefit claims	Claims may be qualified.	R5 Develop quality assurance arrangements to ensure that assessed income figures used are correctly stated.	1	A review of current arrangements is being undertaken as part of the services Quality Assurance Testing Plan.	Jen Griffiths 01/06/2020
Claim expenditure not fully reconciled to the Authority's financial ledger.	Any over claim may need to be recovered by the Welsh Government.	R6 Fully reconcile all claim expenditure to the financial ledger prior to submission to the Welsh Government.	1	Additional checks will be carried out at financial year end and WG have now amended the NDR3	David Barnes 01/04/2020

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
				return forms for 2019/20 onwards to simplify the process.	
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.	2	The service is engaging with the software supplier with the aim of resolving this issue.	Janet Roberts 01/06/2020
Ineligible expenditure.	Grant may be reclaimed by the Welsh Government	R8 Only eligible expenditure, and that incurred within the claim period, 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	2	A reminder will be issued to all grant service leads to ensure only eligible expenditure is included within grant claims in accordance with grant conditions.	Dave Ledsham 01/04/2020

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