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# Grant Claims and Returns 2008-09

## **Powys County Council**

Powys County Council maintains adequate arrangements for submitting claims and returns, but a number of claims for 2008-09 demonstrate weaknesses in specific areas.

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## Summary

1. Powys County Council (the Council) is responsible for submitting the claims and returns to which it is entitled, ensuring that they are:
  - completed accurately and in accordance with the scheme's terms and conditions;
  - reconciled with the Council's accounting records;
  - founded on robust systems of internal control, including systems of internal financial control and internal audit; and
  - supported by adequate working papers.
2. Under Section 2 of the Public Audit Wales Act 2004, the Auditor General is responsible for making arrangements to certify claims submitted in respect of grants or subsidies from a wide range of public bodies. A series of Certification Instructions (CIs) set out the required tests to allow certification. The scope of tests applied depends on a risk assessment of the claim, and evaluation of the Council's internal control environment.
3. The Wales Audit Office is required to audit the Council's claims and returns, and conclude whether each is fairly stated and in accordance with the relevant terms and conditions.
4. In recent years, the Council has introduced a certification checklist for use in compiling claims, along with specific arrangements for signing claims.
5. In 2008-09, the Council submitted 35 grant claims or returns which covered a range of services and included grant due to the Council of just over £90 million. We have concluded that there remains scope to increase the quality and accuracy of grant claims and returns, and to strengthen arrangements for their compilation.
6. We also found that internal control arrangements need to be enhanced. These enhancements will lead to improved audit results, reduce the risk of grants being clawed back by sponsoring bodies and help reduce audit fees.
7. Further guidance is available on the Wales Audit Office's Good Practice Exchange which can be found at [www.wao.gov.uk/1821.asp](http://www.wao.gov.uk/1821.asp).

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## Recommendations

R1	Ensure that issues raised in the individual 2008-09 grant claim audits are addressed in future years.
R2	Ensure clear responsibilities between departmental project managers and accountants are in place to monitor progress of each scheme, and to ensure that the Authority makes use of the full grant available.
R3	Improve arrangements to compile, record and monitor grants, in particular: <ul style="list-style-type: none"><li>• monitor grants to third parties to ensure the required evidence to support expenditure from grants is received in time to sign the claim;</li><li>• ensure Service Level Agreements (SLAs) with other organisations are agreed and signed by both parties before the grant commences;</li><li>• complete and retain evidence of SLA review and corrective action agreed;</li><li>• retain all contract documentation and evidence that related actions accord with the Council's standing orders;</li><li>• obtain approval for virement to expenditure by the grant-paying body in accordance with terms and conditions of the scheme; and</li><li>• monitor claim preparation to ensure claim submission deadlines are met.</li></ul>
R4	Ensure all boxes of the claims checklist are completed before being signed by the Head of Finance.
R5	Request Internal Audit follow-up reports issued in grant areas where the previous audit has identified significant issues, in this instance with regard to local transport services and substance misuse.

## There remains scope to increase the quality and accuracy of grant claims and returns, and to strengthen arrangements for their compilation

### The numbers of claims that missed the submission deadline, or required amendment or qualification, indicates a need to improve the quality and accuracy of claims and returns

8. After certification of grant claims and returns related to 2006-07, we reported that the quality and accuracy of grant claims and returns had improved in comparison with previous years. Results from our 2008-09 (and 2007-08) work shows that the number of claims being qualified and amended has risen from the 2006-07 levels. Additionally, in 2008-09, 20 per cent of claims missed the submission deadline. Exhibit 1 sets out the analysis across departments and shows the average for Welsh Councils for 2007/08.

**Exhibit 1: Grant claim errors and qualifications across services**

Service area	Number of claims submitted	Claims amended	Claims qualified
Education and Learning	6	2	2
Health and Social Care	9	1	0
Housing	1	1	0
Transport and Streets	6	3	3
Leisure and Culture	5	2	0
Environment and Planning	5	1	1
Finance	3	2	1
<b>Total</b>	<b>35</b>	<b>12</b>	<b>7</b>
<b>Percentage of total 2008-09</b>		<b>34%</b>	<b>20%</b>
Percentage of total 2007-08		35%	36%
Percentage of total 2006-07		23%	9%
Welsh average 2007-08		6%	26%

9. The net effect of our amendments is a decrease in grant due to the Council of some £55,000. Although not significant compared with the value of grants received, there are a number of issues in our qualification letters with potential to impact future grant funding if not addressed.

## There are key areas where improved arrangements would reduce the number of late and amended claims

10. Detailed issues arising from each grant claim audit are included in Appendix 2. Overall, there are a number of project management weaknesses and non-compliance with the Council's standing orders, and these, along with the detailed findings, may be grouped into the following main categories:
- **Grants to third parties** – arrangements to monitor expenditure incurred by third parties need to be improved. There were a number of instances in the year of third parties not having supplied the required information to support expenditure claimed before the Council signed the claim. In addition, one organisation, Powys Challenge, went into liquidation during the year.
  - **Service Level Agreements (SLAs) with other organisations not agreed and signed by both parties before the commencement of the grant/financial year** – SLAs with other organisations should be agreed and signed by both parties before the financial year commences. We found instances where the signed SLAs could not be located promptly, and limited evidence to demonstrate that SLAs have been reviewed at the year-end and corrective action applied where required.
  - **Grants not fully used** – our review of claims submitted for the year identified 15 claims where the available grant was not fully used. In total, £487,957 of grant was not taken up for the year. Grants management procedures should monitor claims progress to maximise the use of available funds each year.
  - **Variable completion of working papers checklist** – we found a number of tasks are always narrated N/A on the checklist although there appears scope to complete these in most cases. Typically, these are the boxes on analytical review, details of large journal transfers and evidence to support apportioned expenditure. In addition, a number of working paper reference boxes are left blank. There is scope to improve consistency with which this checklist is completed.
  - **Errors in form completion** – a number of claims contain errors of form completion. We found claims not exhibiting an original signature, required boxes not completed in accordance with form instructions and nine of 35 claims submitted did not meet submission deadlines.
11. These improvements will help to reduce the elapsed time of the audits and reduce the audit fee which for 2008-09 was approximately £129,000.

## Internal control arrangements can be enhanced, which will lead to improved audit results and help reduce audit fees

12. As part of our risk-based approach, we undertake an assessment of each grant claim and its internal control arrangements in order to determine the scope of our audit testing. An example of an internal control assessment form is attached in Appendix 3 and includes:
- the claim's complexity and volume/value of transactions;
  - issues from previous audits;

- changes to the scheme or in the method of claim preparation;
  - expertise and knowledge of preparers (including the adequacy of supervision and review);
  - evidence of monitoring compliance with terms and conditions;
  - effectiveness of internal financial controls (eg, journals, budgetary control, internal audit);
  - quality of supporting working papers; and
  - results of analytical review.
13. Better evidence of the control environment including the extent of supervision and review and other monitoring controls would enable auditors to target work more effectively and focus on higher-risk areas. These improvements will help reduce time to complete the audits and lead to lower audit fees.

## Appendix 1

**Action Plan**

<b>Recommendation</b>	<b>Agreed</b>	<b>Responsibility and actions</b>	<b>Completion date</b>
R1 Ensure that issues raised at individual 2008-09 grant claims audits are addressed in future years.	Yes	Steve Cameron	Dec 10
R2 Ensure clear responsibilities between departmental project managers and accountants are in place to monitor progress of each scheme, and to ensure the Authority makes use of the full grant available.	Yes	Steve Cameron. A new project Accountant will be in place by the end of 11 September to aid co-ordination of project work.	Dec 10
R3 Improve arrangements to compile, record and monitor grants, in particular: <ul style="list-style-type: none"> <li>• monitor grants to third parties to ensure the required evidence to support expenditure from grants is received in time to sign the claim;</li> <li>• ensure SLAs with other organisations are agreed and signed by both parties before the grant commences;</li> <li>• complete and retain evidence of SLA review and corrective action agreed;</li> <li>• retain all contract documentation and evidence that related actions accord with the Council's standing orders;</li> <li>• obtain approval for virement to expenditure by the grant-paying body in accordance with terms and conditions of the scheme; and</li> <li>• monitor claim preparation to ensure claim submission deadlines are met.</li> </ul>	Yes	Steve Cameron. The project Accountant will address each issue.	Dec 10
R4 Ensure all boxes of the claims checklist are completed before being signed by the Head of Finance.	Yes	Steve Cameron	Oct 10
R5 Request Internal Audit follow-up reports issued in grant areas where the previous audit has identified significant issues, in this instance with regard to local transport services, and substance misuse.	Yes	Steve Cameron	Oct 10

## Appendix 2

**Detailed issues from the 2008-09 grant audits**

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Education and Learning</b>						
EDU14	Better Schools Fund (formerly Grants for Education Support and Training (GEST))	1,546,675	No	–	No	Our testing identified a payment of £25,000 to Barnardos as part of an SLA, but the Council is unable to provide a signed copy of the agreement. Whilst we have not qualified the claim on this occasion, the Council should ensure signed copies of SLAs are available.
EDU17	School Buildings Improvement Grant (SBIG) (2008-09 allocation)	2,413,000	No	–	No	No issues arising
EDU17	School Buildings Improvement Grant (£9 million additional allocation)	150,286	No	–	No	No issues arising

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Education and Learning</b>						
EDU43	Learning Pathways	1,109,426	No	–	No	No issues
EYC01	Flying Start	679,719	No	–	No	A significant delay occurred around October and November 2009 in the Council being able to provide evidence of confirmation by partners that the expenditure had been incurred on eligible activities.
EYC14	Cymorth	1,388,424	Yes	–	Yes	<p>Although not affecting grant entitlement because actual expenditure exceeds that approved, the claim was amended for the following:</p> <ul style="list-style-type: none"> <li>• payments totalling £21,280 to Wales Preplay were supported by accounts from them showing expenditure of only £20,928;</li> <li>• our testing identified duplicate accruals of £183 and £953; and</li> <li>• a late invoice from PAVO for £8,025 relating to 2008-09 expenditure had been omitted.</li> </ul> <p>£19,700 was paid to Powys Challenge for a 'Befriending and Mentoring Contract' who subsequently went into liquidation. Our certificate is qualified on the basis that there is no evidence this expenditure has been incurred on eligible activities.</p>

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Health and Social Care</b>						
HC02	Substance Misuse Programme	701,465	No	-195	No	The claim had not been completed with details of the name of the person signing the return nor the date it was signed. These details were subsequently entered. An internal audit report on the substance misuse service concluded that only limited assurance was attained and that some key controls were not in place. The report focused on the method of providing substance misuse services, making one fundamental and seven significant recommendations. Weaknesses in service procedures increase the risk that grant funding is ineffective or directed at ineligible items which could lead to a loss of grant.
HC03	Mental Health and Illness Strategy	2,393,304	No	-	No	The initial certificate received from a third party, Brecon Crossroads, did not support the level of grant incurred, and indicated that £450 of grant should be returned. Following enquiries at the audit, an update certificate was received, but only on 3 December 2009. Four other third parties did not provide the required certificates until mid-November and December 2009. The required information from third parties to support grants should be received in time for Powys to sign the claim.
HLG03W	S28A annual voucher	168,686	Yes	2,656	No	The claim was submitted late, on 22 February 2010, and thus not meeting the submission deadline of 30 September 2009.

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Health and Social Care</b>						
HLG13	Joint Working Special Grant Scheme	349,284	No	-12,329	Yes	<p>An accrual was put in the 2007-08 claim for nurse assessor costs from October 2007. Invoices for these costs have not been received and confirmation from the LHB has been received that these costs are not chargeable. The 2008-09 claim was reduced by this amount.</p> <p>Our certificate is qualified, as expenditure on one line of the return is below the approved sum, and our CI guides us to qualify our certificate in this event. Expenditure incurred is £85,714 compared to the approval of £100,000.</p> <p>The claim was submitted late, on 6 November, when the deadline is 30 September.</p>
<b>Housing</b>						
HOU03	Housing Subsidy	-5,449,508	Yes	6,153	No	<p>The claim was amended due to incorrect figures being entered in the following cells:</p> <ul style="list-style-type: none"> <li>cell 0060 incorrectly entered as 5471, subsequently amended to 5478;</li> <li>cell 0320 amended to £420,531 to correct principal of mortgages repaid that were previously excluded; and</li> <li>cell 2832 incorrectly entered as 0.5649 whereas the correct presentation is 56.49 as required by the percentage indicator on the cell and consistency with later cells on the same page.</li> </ul> <p>The above amendments resulted in corrections to other cells in the claim with the overall effect being an increase in subsidy entitlement of £6,153.</p>

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Health and Social Care</b>						
SOC07	Social Care Workforce Development Programme	397,139	No	–	No	No issues
SOC09	Performance Management Development Fund	196,183	No	–	No	The claim was submitted late, on 21 October, when the deadline is 30 September.
SOC26	Telecare	411,532	Yes	-	No	The claim was amended due to the calculation for the entry to line 6 on the claim utilising the wrong figures. Certification of three years' claims showed the Council did not utilise any of its allocation of £144,036 in 2006-07. One of the remittance advices to support the payments of grant on account was excluded from the initial working paper file, but was subsequently found.
SOC27	Community equipment	537,379	No	Nil	No	A contract for refurbishment of the equipment store in Mochdre could not be found. Whilst a certificate of completion and correspondence was available in this instance to verify work completed, contract documents should be located for reference on the working papers file.

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Health and Social Care</b>						
SOC28	Promoting Independence and Wellbeing	42,518	No	–	No	<p>The claim was submitted for a grant of less than £50,000 and is therefore not audited under the Auditor General's current certification scheme.</p> <p>A grant of £208,533 was approved for Powys in 2008-09, and with expenditure of £42,518, Powys has lost an allocation of £166,015 for the year, although the Assembly Government will consider requests for carry forward of unused allocations.</p>
<b>Environment and Planning</b>						
CIV41	Safer Communities Fund	161,445	Yes	–	Yes	<p>Our certificate is qualified as the Council has provided a grant of £29,377 in 2008-09 to an organisation called Powys Challenge as part of an SLA, a condition of which was that Powys Challenge would provide the Council with a statement of accounts by 30 September of the following year. The Council has not received the statement of accounts and Powys Challenge is in liquidation. There is, therefore, no evidence that the grant has been used for the purpose intended and this highlights the need to ensure that financial partners are robust enough to deliver agreements.</p>

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Environment and Planning</b>						
LA12	Sustainable waste management	2,907,386	No	–	No	No issues
LD02	Land Drainage – Manthrwg brook, Caersws	97,787	No	–	No	No issues
LD02	Land Drainage – Arge hall lane, Garthmyl	100,797	Yes	–	No	One of the rows on the claim form had not been completed, the entry was subsequently made. Expenditure on the final claim of £116,710 is less than the approved sum of £124,826, although it is not clear whether this reflects improved prices or the project not being fully delivered.
LD02	Land Drainage – Cwmygaist		No	–	No	Expenditure entered on the claim exceeded this approved sum for this scheme. A revised approval for the higher level of expenditure was obtained following enquiries made during the audit.
<b>Transport and Streets</b>						
RG18	Town Improvement Grant		Yes	–	Yes	The claim did not bear an original signature. All claims submitted should be an original, not a photocopy.

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Transport and Streets</b>						
TRA06	Local Transport Services	727,447	Yes	-	Yes	<p>An entry for -£7,378 was inserted to line A, whereas the correct entry would have been to line C. The claim was amended.</p> <p>The Border Mobility contract payment had been amended from £4,266 per month to £5,922 from August 2008 and the Council could not demonstrate that a requirement by standing orders to have this increase authorised by the Head of Service had been complied with. Our certificate was qualified in that respect.</p> <p>The Council's Internal Audit has audited aspects of the Transport Services department in 2008-09 and concluded that records and procedures relating to the transport department are unsound, and made a number of recommendations. We will assess findings from Internal Audit's follow-up as part of our review of the control environment during our certification of the 2009-10 claim.</p>
TRA10	Transport grant	2,842,000	Yes	-	No	<p>The claim was amended due to the following issues:</p> <ul style="list-style-type: none"> <li>the engineering advice form showed £4,000 as payment received on account whereas the remittance advice confirms that £40,000 was received;</li> <li>the same claim was also amended because of a £10,000 difference between BACS credit advice and remittance advice;</li> <li>£2,500 had been omitted from payments received on account on the lighting claim due to insufficient information on the remittance advice, subsequent queries with the Assembly Government were able to clarify this and the claim was amended; and</li> <li>expenditure on the Forward programme claim was reduced by £6 to agree with the ledger.</li> </ul>

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Transport and Streets</b>						
TRA15	Transport grant	456,400	No	–	Yes	Conditions of grant require that monthly requisitions are made based on an estimate of the current month's expenditure. Testing confirms that the Council has used actual expenditure in the month claimed. Our certificate is qualified in this respect.
TRA23	Free Concessionary Travel	815,983	Yes	–	No	Separate entries are required to the claim form at line 3b for half fare adjustments and at 3c for other adjustments. The Council included both adjustments on the same line, and the claim was subsequently amended.
TRA25	Capital Road Maintenance	1,180,265	No	–	No	No issues
<b>Leisure and Culture</b>						
RG02	Communities First – Ystradgynlais	110,638	Yes	-582	No	An entry of £3,000 to column 5 did not equal the calculation required from entries in other columns. The claim was amended.
RG02	Communities First – Oldford	105,189	No	-135	No	No issues arising
RG02	Communities First – Bro Dyfi	126,468	No	-412	No	No issues arising

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Leisure and Culture</b>						
RG81	Rural Community Action Plan 2008-09		Yes	–	No	The claim was submitted late, on 17 February 2010, when the certification deadline was 31 December 2009. Calculation of grant due on section 8 of the form had been made as 79.54 per cent of actual expenditure, whereas conditions of grant require expenditure be limited to the approved sum. The claim was amended.
RG81	Rural Community Action Plan – final quarter 2007-08		No	–	No	Claim below the de minimis level and not audited.

CI reference	Description	Amount claimed (£)	Claim amended	Change in grant entitlement (£)	Qualification letter issued	Issues
<b>Finance</b>						
BEN01	Housing and Council Tax Benefits Claim	27,823,807	Yes	5,175	Yes	<p>The claim was amended due to the following:</p> <ul style="list-style-type: none"> <li>cell 018-020 entries moved to cells 056-058 to account within the HRA;</li> <li>cell 111 amended to £38 and cell 112 amended to £105 to show correct level of indicative rent level overpayments; and</li> <li>amended LA error of £163 between cell 144 and 147.</li> </ul> <p>Our certificate is qualified for the following issues:</p> <ul style="list-style-type: none"> <li>a software system update programme was not installed in time to produce the final claim; and</li> <li>payments of interim subsidy on the form could not be amended to reflect an amount received on 8 June 2009 of £225,979.</li> </ul>
LA01	National Non Domestic Rates (NNDR) return	23,829,078	Yes	-54,356	No	<p>The return was received without an original signature. The return was amended for the following issues:</p> <ul style="list-style-type: none"> <li>interest on the return was not supported by the system total, a difference of £138 was amended;</li> <li>rural bus discretionary relief was not supported by the system total, a difference of £235 was amended; and</li> <li>line 27 of the return showed a difference of £54,460 between the return and accounts, this was amended.</li> </ul>
PEN05	Teachers' Pension Return	9,314,257	No	-	No	No issues arising

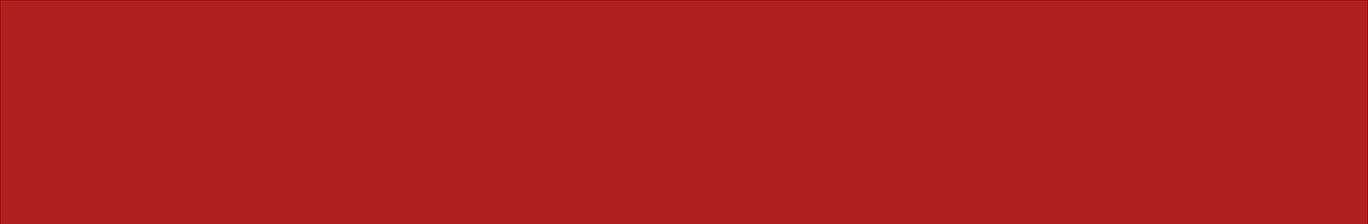
## Appendix 3

**Control environment assessment form**

Internal control environment assessment		
1	<b>Degree of risk attached to the claim or return</b> Record the auditor's assessment (high/medium/low) of the relative risk attached to the claim or return (eg, volume of transactions, complexity of scheme) as a starting point for assessing the control environment.	WP ref
2	<b>Compilation</b> Note briefly the method of compilation including changes from the previous period.	
3	<b>Control environment</b> Record the auditor's assessment of the control environment and decide whether or not to place reliance on the control environment:	
(a)	Arrangements to ensure claims and returns are completed accurately and in accordance with the scheme's terms and conditions. <i>A control environment upon which reliance can be placed is likely to include: evidence of grant terms and conditions being identified and reviewed and action taken at an early stage to collect the information that will be required to demonstrate entitlement to grant; comprehensive documentation; ongoing monitoring of compliance with terms and conditions; monitoring and compliance with deadlines.</i>	
(b)	Control arrangements, including internal financial control and internal audit. <i>A control environment upon which reliance can be placed is likely to have:</i> <ul style="list-style-type: none"> <li>• cost codes for each claim/return, with controls over data posted from other systems/journals and reconciliations that ensure transactions are properly authorised and coded;</li> <li>• a coding structure tailored to the claim/return requirements;</li> <li>• procedures to demonstrate funding passed to third parties has been used for the intended purpose;</li> <li>• effective budgetary control and cash flow monitoring; and</li> <li>• for claims/returns based on complex financial systems, internal audit assurance that systems have operated satisfactorily over the period covered by the claim.</li> </ul>	
(c)	Quality of authority supporting working papers. <i>A control environment upon which reliance can be placed is likely to have working papers that include:</i> <ul style="list-style-type: none"> <li>• the date they were prepared and who prepared them;</li> <li>• the claim/return entries to which they relate including cross references to or copies of source documents, copies of original approvals, variations and correspondence with the grant-paying body;</li> <li>• a reconciliation of the claim/return to the accounts including payments on account; analytical review with explanations of significant variances;</li> <li>• notes on the basis of any apportionments included;</li> <li>• a description of relevant internal controls;</li> <li>• a note of any relevant internal audit work; and</li> <li>• evidence to support expenditure included in the claim/return but incurred by another body.</li> </ul>	

<b>Internal control environment assessment</b>	
(d)	<p>Expertise and relevant knowledge of preparers, including the adequacy of supervision and review. <i>A control environment upon which reliance can be placed is likely to have:</i></p> <ul style="list-style-type: none"> <li>• claims/returns prepared by officers with appropriate expertise and knowledge of the scheme;</li> <li>• pre-certification checks for arithmetical accuracy, completeness and reasonableness, including test checks to supporting records and review, by an officer not involved directly in the compilation process; and</li> <li>• evidence of the review process and the steps the authority has taken to satisfy itself that the assurance provided by its certificate is well founded.</li> </ul>
(e)	<p>Cumulative knowledge of the problems associated with the compilation of this claim or return including previous points arising, any known concerns expressed by the grant-paying body or any actions/decisions by the grant-paying body on previous qualification letters. <i>In a control environment upon which reliance can be placed, there will be no significant issues which are ongoing or recurrent; effective action will have been taken to address previous points arising including concerns expressed by the grant-paying body and grant-paying body's actions/decisions following previous qualifications letters.</i></p>
(f)	<p><b>Analytical review</b></p> <p><i>Summarise the results of the comparison of expected with actual outcomes, the identification of unexpected variances and their subsequent investigation, explanation and corroboration and, where possible, comparisons with other authorities or national statistics.</i></p>
(g)	<p><b>Overall assessment</b></p> <p>Based on sections 3(a) to (f) above, record your overall assessment of the control environment for the preparation of this claim or return and whether you have decided either to place reliance on the control environment and therefore complete only the Part A CI tests, or decided not to place reliance on the control environment and therefore complete both Part A and Part B CI tests. The basis of your decision should be clearly recorded.</p>





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