



WALES AUDIT OFFICE  

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SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2011-12

## **Powys County Council**

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# Status of report

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The team who delivered the work comprised John Herniman, Mike Jones, Gareth Rees, Dave Burridge, Greg Maw, Anita Thomas, Andrew Davies.

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# Summary report

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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 Powys 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 2011-12 grant claims, there is scope for improvement. We continue to work with the Authority to make these improvements for 2012-13. Our conclusion for 2011-12 is based on the following overall findings:
  - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2011-12 grants was in place throughout the year; and
  - there is scope to improve the Authority's arrangements for submitting information promptly to support its grant claims for audit.
4. For 2011-12 we certified 23 grant claims, though within that the Trunk Road Agency claim includes 18 separate certificates making a total of 41 certificates, four fewer than for 2010-11; however the grant certified value was £14 million higher due to a large school building improvement grant in the year of some £17 million and a higher housing benefit claim by £2.5 million being offset by a reduced housing subsidy claim of £5.6 million.
5. The Authority submitted 60.9 per cent of its 2011-12 grant claims to us on time. We can confirm that we have certified all claims received that are above the threshold, at a total audit cost of some £95,000. Overall, the audits resulted in a reduction of £12,038 being claimable by the Authority in respect of 2011-12.
6. One in eight of the claims were qualified; this is better than the Welsh average of one in four for 2010-11.

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## Headlines

### Introduction and background

#### **This report summarises the results of work on the certification of the Authority's 2011-12 grant claims and returns**

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.
- For 2011-12, we certified 39 claims with a total value of £94,106,588 and two returns with a total value of £33,152,073.
- At the start of our grant audit work for 2011-12, we met with the Accountancy Manager and key financial officers (having the responsibility of grant claim preparation) and agreed our proposed approach for completing grant work in the coming months. We discussed with the officers how your Grant Checklist included on each grant claim file can be improved. The Grant Checklist highlights the key areas the Wales Audit Office would be reviewing whilst performing grant auditor certification.
- We distributed, in advance of the audit, a timetable of grant audit work to be performed to the Authority's grant co-ordinator, who informed the key officers involved in grant claim preparation. We believe that this approach significantly improved the efficiency of the grant audit process and we will adopt this method each year.
- We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management and work together to identify further improvements which can be made to improve the processes.

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### Timely receipt of claims

- Our analysis shows that 60.9 per cent of claims received during the year were received by the Authority's deadline. However, whilst the Authority submitted 39.1 per cent (9) of its claims late for audit, four of the late claims were submitted more than two weeks after the specified deadline.
- The Council 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 may take longer to address, but it's imperative that queries are answered in a timely manner to meet the auditor certification deadline.

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## Certification results

### **We issued unqualified certificates for 35 grants and returns but qualifications were necessary in six cases.**

- 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 2011-12:

#### **Qualification issues arising from not complying with scheme conditions**

- Two of the Communities First claims were qualified for not completing the required procedures when removing assets previously financed from grant from the asset register, and the contracts used in the learning disability scheme were not signed.

#### **Qualification issues arising from claim entries not reconciled**

- We qualified the housing benefit claim in relation to significant variance appearing on the claim that could not be explained from the testing nor discussion with officers. Similarly the deferred payment entries on the NNDR claim did not reconcile by the required date set by the scheme conditions.

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## Audit adjustments

### **Adjustments were necessary to 10 of the Authority's grants and returns as a result of our auditor certification work this year**

- There were no significant adjustments (ie, over £10,000). Other adjustments were made to remove a duplicate payment from the claim, to complete the required entries to the claim and in other instances to remove unsupported expenditure from the claim.
- The net adjustment of the grants is a reduction of £12,038 in funds payable to the Authority.

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**The Authority's  
arrangements**

**The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas and our recommendations are set out at pages 16-19. Our priority recommendations are that:**

- The Authority should put in place systems and controls to ensure that where grant is passed to a third party to spend, that the organisation is complying with grant scheme rules by keeping adequate records of expenditure.
- Scheme conditions are communicated to all project officers to ensure that the conditions for grant are met.
- 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 doubt of the eligibility of expenditure.

Pages 16-19

**Fees**

**Our overall fee for certification of grants and returns for 2011-12 is £95,000 which was below our original estimate of £120,000 to £130,000**

- We have completed the work below our proposed fees.

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## Summary of certification work outcomes

7. Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2011-12 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.
8. 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 2011-12

#### Overall, we certified 41 grants and returns:

- **27** were unqualified with no amendment;
- **seven** were unqualified but required some amendment to the final figures;
- **six** required a qualification to our audit certificate; and
- **four** of these required some amendment to the final figures.



Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
[1]	NNDR	21 Aug	23 May	No			£ 742	
[2]	Schools Effectiveness Grant	30 Sept	25 Sept	No			£ 0	
[3]	Housing Benefit and Council Tax Subsidy	30Apr	30 Apr	No				
[4]	School Buildings Improvement Grant – T1	30 Sept	27Sept	No			£ 0	
[5]	School Buildings Improvement Grant – T2	30 Sept	15 Oct	Yes				
[6]	Teachers Pension	29 June	28 June	No				
[7]	Sustainable Waste	31Oct	31 Oct	No				
[8]	Flying Start	30 Sept	17Oct	Yes			£ - 8676	
[9]	Cymorth	30 Sept	26 Sept	No			£ - 3183	
[10]	Substance Misuse	30 Sept	27 Sept	No				
[11]	Learning Disability Resettlement	31 Aug	31 Aug	No				
[12]	Communities First – Oldford	31 July	7 Aug	Yes			£ - 9	

[13]	Communities First – Ystradgynlais	31 July	7 Aug	Yes			£ - 2,195	
[14]	Communities First – DyfiValley	31 July	7 Aug	Yes			£ 0	
[15]	Communities First – Outcomes Fund	31 July	7 Aug	Yes				
[16]	Social Care Workforce Programme	30 Sept	27 Sept	No				
[17]	HRA Subsidy 11-12	30 Sept	27 Sept	No			£- 1,024	
[18]	Learning Pathways	30 Sept	7 Aug	No				
[19]	Trunk Road Agency	30 Sept	27Nov	Yes				
[20]	Transport Grant	31 Aug	18Dec	Yes				
[21]	Free Concessionary Travel	30 Sept	17Oct	No				
[22]	Regional Transport Consortia	30Sept	24 Sept	Yes				
[23]	Land Drainage – Ty Gwyn	3 months after end.	04July	No			£ 2,307	
<b>Total</b>					<b>6</b>	<b>£ 0</b>	<b>£-12,038</b>	<b>17</b>

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

Ref	Summary observations	Amendment
[1]	<p><b>NNDR</b></p> <ul style="list-style-type: none"> <li>Our qualification letter refers to the fact that total deferred payments made in 2010-11 and 2011-12 do not agree with the total set out in line 10 of the supplementary guidance.</li> <li>We requested amendments to the return in respect of one instance of incorrect relief entered on to the system and an incorrect date disclosed as the latest date for which the VO directions are taken into account. <b>(Recommendation 1)</b></li> </ul>	£ 742
[2]	<p><b>Schools Effectiveness Grant</b></p> <ul style="list-style-type: none"> <li>We requested an amendment to the claim as £6,222.56 has been recorded against priority 2 (Numeracy) rather than priority 3 (Poverty). <b>(Recommendation 2)</b>.</li> </ul>	£ 0
[3]	<p><b>Housing Benefit and Council Tax Subsidy</b></p> <ul style="list-style-type: none"> <li>The Housing Benefit and Council Tax Subsidy was qualified with regard to a significant variance on the cell entry relating to overpayments that could not be substantiated by testing.</li> </ul>	£ 0
[4]	<p><b>School Building Improvement Grant –T1</b></p> <ul style="list-style-type: none"> <li>The School Building Improvement Grant accompanying schedule was amended to show the complete analysis to include actual expenditure in line two of the claim. <b>(Recommendation 1)</b></li> <li>Funding of £3.2 million had been received but not included on the claim form. The claim was amended to show the full amount of grant received for the year. <b>(Recommendation 1)</b></li> </ul>	£ 0
[8]	<p><b>Flying Start</b></p> <ul style="list-style-type: none"> <li>An amendment was made to the line two of the claim to remove a duplicate payment of £8.676 from the claim, and the total expenditure at line three, and balance of grant due at line five amended to reflect this. <b>(Recommendation 2)</b></li> </ul>	-£8,676

Ref	Summary observations	Amendment
[9]	<p><b>Cymorth</b></p> <ul style="list-style-type: none"> <li>We amended line two of the claim to remove an unsupported item of expenditure from project ID49, and line two of the claim to reduce expenditure by £50,946 to present the expenditure as being net of sundry income received. Lines three and five of the claim were also amended to show amended grant entitlement and balance of grant due. <b>(Recommendation 2)</b></li> <li>Columns A and B of the accompanying schedule to the claim form included the heading to financial year 2010-11, and this was subsequently amended to show the correct financial year. <b>(Recommendation 1)</b></li> </ul>	-£3,183
[10]	<p><b>Substance Misuse</b></p> <ul style="list-style-type: none"> <li>Claim certification was delayed due to the third party monitoring evidence not being made available on a prompt basis. The required monitoring evidence should be in place at the start of the audit. <b>(Recommendation 4)</b></li> </ul>	£ 0
[11]	<p><b>Learning Disability</b></p> <ul style="list-style-type: none"> <li>We qualified our certificate to identify that contracts relating to expenditure included on the claim had not been signed. <b>(Recommendation 2)</b></li> </ul>	£ 0

Ref	Summary observations	Amendment
[15]	<p><b>Communities First</b></p> <ul style="list-style-type: none"> <li>• Oldford – we requested that two of the expenditure categories be reduced to ensure that the expenditure on which grant is claimed does not exceed the approved amount; and in addition we identified that assets were removed from use without following the guidance defined in paragraphs 4.2 and 5.2 of the communities first guidance for fixed assets, and our certificate was subsequently qualified in this regard.</li> <li>• Ystradgynlais – the form instructions had not been followed and two of the expenditure categories were reduced to present expenditure as lower of actual expenditure and actual grant approved as required by the form.</li> <li>• DyfiValley – as above, form instructions had not been followed and two of the expenditure categories were reduced to present expenditure as lower of actual expenditure and actual grant approved as required by the form. Our testing also identified that the record of equipment purchased from grant showed items being removed from use however the required approval to dispose of assets previously purchased from Communities First grant had not been obtained and our certificate was subsequently qualified in this regard. We recommend the required approval is obtained for all asset disposals in line with the Communities First guidance. <b>(Recommendation 5)</b></li> </ul>	-£2,204
[17]	<p><b>Housing Subsidy</b></p> <ul style="list-style-type: none"> <li>• We requested minor amendments to entries on the form at cells 0200, 0240, and 0280. <b>(Recommendation 1)</b></li> <li>• An incorrect basis was used to calculate the reserved portion of capital receipts where in this case there is no dwelling on the land being disposed from the Housing Revenue Account. An amendment was made to use the correct portion in the calculation.</li> <li>• Estimated data had been used to calculate the Capital Financing Requirement and the calculation was subsequently updated to reflect the outturn data. The impact of this and the other amendments referred above is to increase the amount of housing subsidy due back to the Welsh Government by £1,024.</li> </ul>	-£1,024
[20]	<p><b>Transport Grant</b></p> <ul style="list-style-type: none"> <li>• The claim was not submitted by the required date and the claim prepared included no entry for line four, and had not been signed and dated. We recommend that all claims are prepared in accordance with the scheme instructions. <b>(Recommendation 1).</b></li> </ul>	n/a

Ref	Summary observations	Amendment
[21]	<p><b>Free Concessionary Travel</b></p> <ul style="list-style-type: none"> <li>The return was qualified to highlight the lack of routine supporting records submitted by operators with their invoices. In some cases the invoice alone was submitted and in others a supporting spreadsheet accompanied the invoice but it did not certify that the spreadsheet was an accurate representation of the system generating the data.</li> <li>The return was also amended because line 3a did not agree with the quarterly return, and an incorrect entry was shown at line 3c on the form, and the form was subsequently amended.</li> </ul>	n/a
[23]	<p><b>Land Drainage – Ty Gwyn</b></p> <ul style="list-style-type: none"> <li>The claim submitted did not contain an original signature and was incomplete as the line entitled ‘Net expenditure eligible for grant’ had not been completed. A replacement claim was prepared and signed. <b>(Recommendation 1)</b></li> </ul>	£ 2,307
	<b>Total effect of amendments to the Authority</b>	<b>£ - 12,038</b>

## Recommendations

10. 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
There were instances where claims are not prepared correctly: <ul style="list-style-type: none"> <li>• arithmetic errors;</li> <li>• cell entries left incomplete; and</li> <li>• claim does not have an original signature.</li> </ul>	<ul style="list-style-type: none"> <li>• Claims may be qualified or amended.</li> </ul>	R1 Claim forms are correctly completed for each grant.	[2]	These issues should not occur, claims will be checked more thoroughly by Accountants in the relevant team with a final overview by the Accountancy Manager.	Accountancy Manager to inform Accountants June 2013.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Lack of supporting evidence to support the claim for funding:</p> <ul style="list-style-type: none"> <li>there was no evidence to support an item of expenditure on the Cymorth claim.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of audit trail for public monies.</li> </ul>	<p>R2 The Authority should establish systems and controls to ensure that the claim is fully supported by source documentation.</p>	<p>[2]</p>	<p>All claims to be reviewed by Accountant in relevant team to ensure that source documentation is included. Officer responsible for Cymorth claim will be notified of this issue.</p>	<p>Accountancy Manager to inform Accountants and other officers June 2013.</p>
<p>Unapproved or ineligible expenditure included:</p> <ul style="list-style-type: none"> <li>in this case the Communities First claims included expenditure above the agreed level.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority has not complied with the terms and conditions of grant.</li> </ul>	<p>R3 Only eligible expenditure, and which is within the approval, should be included on the claim. Welsh Government advice should be sought prior to claim completion if further approvals are need.</p>	<p>[1]</p>	<p>This issue will be raised with all officers responsible for grant claim submission to ensure only approved or eligible expenditure is included.</p>	<p>Accountancy Manager June 2013.</p>



Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Lack of monitoring of third parties:</p> <ul style="list-style-type: none"> <li>the process between the Council and third parties to ensure grant has been used for the purposes intended has not worked well.</li> </ul>	<ul style="list-style-type: none"> <li>Claims may be qualified.</li> <li>Grant may be reclaimed by the Welsh Government.</li> </ul>	<p>R4 The Authority must have adequate procedures in place to satisfy itself, its auditor and the grant-paying body that only eligible expenditure incurred by third parties is included in the claim.</p>	<p>[1]</p>	<p>Accountancy Manager to review current procedures across Grants involving Third Parties.</p> <p>Following the review procedures will be amended as necessary to ensure that third parties are instructed clearly as to what evidence is required to satisfy the Authority, Auditors and Grant Funding Body of what expenditure is eligible and can therefore be included in the claim.</p>	<p>Accountancy Manager June 2013.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Welsh Government approval not sought:</p> <ul style="list-style-type: none"> <li>assets have been disposed without approval.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority has not complied with the terms and conditions of grant.</li> </ul>	<p>R5 Approval from the grant-paying body is sought prior to audit for all required changes.</p>	<p>[2]</p>	<p>This issue will be highlighted across the Authority through Heads of Service, that when any assets are being considered for disposal there must be a check to see how the asset was originally funded, and whether there are any grant conditions that need to be considered.</p>	<p>Accountancy Manager June 2013.</p>

## Fees

11. Our overall fee for the certification of grants and returns has been £95,000, and is lower than the previous year's fee of £109,000 mainly because the 2009-10 housing subsidy claim was deferred by the Welsh Government for completion alongside the 2010-11 return at last year audit, while there was just the one year's claim this year.





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