



Certification of Grants and Returns 2012-13

Powys County Council

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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 2012-13 grant claims, there is scope for improvement, particularly in the process of obtaining third party certificates. We continue to work with the Authority to make these improvements for 2013-14. Our conclusion for 2012-13 is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2012-13 grants was in place throughout the year; and
 - there is scope to improve the Authority's arrangements for obtaining information promptly from partners and third parties to support its grant claims expenditure.
4. For 2012-13 we certified 21 grant claims, two fewer than for 2011-12; however the grant certified value was £46 million lower this year due to a large school building improvement grant in the previous year of some £20 million and the trunk road agency claims valued at £17 million which included 18 separately certified schemes, both of which no longer require certification from 2012-13.
5. The Authority submitted 87 per cent of its 2012-13 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 £101,000. Overall, the audits resulted in an increase of £772 being claimable by the Authority in respect of 2012-13.
6. One in five of the claims were qualified; this is better than the Welsh average of one in three for 2012-13.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2012-13 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 2012-13, we certified 19 claims with a total value of £46,218,877 and two returns with a total value of £35,686,974, being Housing Benefit and Non Domestic Rates.
- At the start of our grant audit work for 2012-13, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our proposed approach for completing grant work. We discussed with officers how your Grant Checklist included on each grant claim file can be improved. The Grant Checklist highlights 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 to the process is efficient and we plan to 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 87 per cent of claims received during the year were received by the Authority's deadline. This represents a significant improvement on the 60.9 per cent received by the deadline last year and, numerically, this represents three claims being late this year compared to nine last year.
- The grant co-ordinator should continue to 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 relating to third parties' expenditure may take longer to address, and this represents an area needing to be improved, but it is imperative that queries are answered in a timely manner to meet the auditor certification deadline.

Pages 9-14

Certification results

We issued unqualified certificates for 16 grants and returns but qualifications were necessary in five 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 2012-13:

Qualification issues arising from not complying with scheme conditions

- Three claims were qualified for not having obtained the required third party certificates to confirm that expenditure has been incurred in line with scheme conditions. These are Families First, Flying Start and Learning Disability, and it should be noted that the substance misuse certification was delayed by the required third party information not being available on a prompt basis. This has been evident in previous year and continues to be a weakness at the Authority.

Qualification issues arising from claim entries not reconciled

- We qualified the housing benefit claim in relation to errors in benefit calculations that were caused by software errors not explained by the supplier. In addition, the Learning Pathways claim was qualified because items of expenditure did not meet the eligibility criteria.

Pages 9-14

Audit adjustments

Adjustments were necessary to seven 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 ineligible expenditure from the claim, to complete claim entries in line with the form instructions and in other instances to reflect updated supporting records.
- The net adjustment of the grants is an increase of £773 in grant payable to the Authority. after increases of £4,772 and decreases of £3,999.

Pages 9-14

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 15-19. Our priority recommendations are that:

- the Authority should revisit its systems and controls to ensure that where grant is passed to a third party to spend, the organisation is complying with grant scheme rules by providing prompt records of expenditure incurred; and
- scheme conditions are communicated to all project officers to ensure that the conditions for grant are met.

Pages 15-18

Fees

Our overall fee for certification of grants and returns for 2012-13 is £101,000 which was below our original estimate of £120,000 to £130,000

- We have completed the work within 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 2012-13 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 2012-13 (2011-12)

Overall, we certified 21 (41) grants and returns:

- eight (27) were unqualified with no amendment:
- eight (seven) were unqualified but required some amendment to the final figures;
- five (six) required a qualification to our audit certificate, and
- one (four) of which required some amendment to the final figures.

Summary of the key outcomes from our certification work on the Authority's 2012-13 grants and returns

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			£ 0	
[2]	Schools Effectiveness Grant	30 Sept	1 Aug	No			£ -2,893	
[3]	Housing Benefit and Council Tax Subsidy	30 Apr	30 Apr	No			£ 3,702	
[4]	Welsh in Education	30 Sept	30 July	No			£ 0	
[5]	Section 24 NHS Transfers	30 Sept	30 Sept	No				
[6]	Teachers Pension	29 June	3 June	No			£ 70	
[7]	Sustainable Waste	31 Oct	31 Oct	No				
[8]	Flying Start	30 Sept	18 Oct	Yes				
[9]	Families First	30 Sept	30 Sept	No				
[10]	Substance Misuse	30 Sept	30 Sept	No				

[11]	Learning Disability Resettlement	31 Aug	03 Sept	No				
[12]	Communities First – Oldford	31 July	31 Jul	No			£ 0	
[13]	Communities First – Ystradgynlais	31 July	31 July	No				
[14]	Communities First – Dyfi Valley	31 July	31 July	No				
[15]	Communities First – Outcomes Fund	31 July	31 July	No			£ 0	
[16]	Communities First – Exit Strategy	31 July	31 July	No				
[17]	HRA Subsidy 11-12	30 Sept	30 Sept	No			£- 1,106	
[18]	Learning Pathways	30 Sept	17 Sept	No				
[19]	Social Care Workforce Programme	30 Sept	30 Sept	No				
[20]	Free Concessionary Travel	30 Sept	18 Oct	Yes			£ 1,000	
[21]	Regional Transport Consortia	30 Sept	14 Oct	Yes				
Total					5	£ 0	£ 773	8

9. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 9 to 11.

Ref	Summary observations	Amendment
[1]	<p>NNDR</p> <p>We requested an amendment to the return in respect of an incorrect date disclosed as the latest date for which the VO directions are taken into account. (Recommendation 1)</p>	£nil
[2]	<p>Schools Effectiveness and Pupil Deprivation Grant</p> <p>We requested amendments to the claim of £2,880 for payments on software licences that relate to future periods whereas the claim does not allow payments in advance, and for one transaction where recoverable VAT of £13 had been included. (Recommendation 3).</p>	£2,893
[3]	<p>Housing Benefit and Council Tax Subsidy</p> <p>The Housing Benefit and Council Tax Subsidy claim was qualified regarding unresolved queries with the software supplier, and the annual reconciliation process.</p>	£nil
[4]	<p>Welsh in Education</p> <p>The original claim was submitted on an incorrect form, and we requested the right form be completed for certification. (Recommendation 1)</p>	£nil
[5]	<p>Teachers Pension</p> <ul style="list-style-type: none"> We identified an error where a staff member had two elements of salary, Normal Pay and Warden Allowance, and testing confirmed that the contributions on the Normal Pay were correct at 8%, however the Warden element was only included at 6.4%. Both salary payments should be subject to the combined salary rate which is 8%. We are satisfied this is an isolated error and the claim was amended. The original claim was submitted on an incorrect form, and we requested the right form be completed for certification. (Recommendation 1) 	£70

Ref	Summary observations	Amendment
[8]	<p>Flying Start</p> <p>One independent third party certificate and supporting independent accounts for a childcare setting on the Flying Start scheme was not obtained, and our certificate was qualified in this regard. (Recommendation 4)</p> <p>We note that a number of service level agreements have lapsed in the year and were not renewed with updated agreements. These should now be updated to provide a firm basis for transactions on this scheme. (Recommendation 6)</p>	£nil
[9]	<p>Families First</p> <ul style="list-style-type: none"> • Whilst monitoring information was received to confirm expenditure has been used for the purpose given, the required independent certificates were not obtained from three partners, and our certificate is qualified for not meeting this condition of grant. (Recommendation 4) • We note also the Council's own procedures state that when partner's expenditure exceeds £10,000, third party certificates should be supported with copies of annual accounts. In this instance there are four third party arrangements which exceed this £10,000 threshold and no supporting accounts were received, thereby not meeting this condition of grant. (Recommendation 4) 	£nil
[10]	<p>Substance Misuse</p> <ul style="list-style-type: none"> • As in previous years, claim certification was delayed due to the required third party monitoring evidence not being made available on a prompt basis. It is essential for the required monitoring evidence to be in place before the chief financial officer's signature to provide a firm basis for that signature, and enable prompt audit certification. (Recommendation 4) 	£nil
[11]	<p>Learning Disability</p> <ul style="list-style-type: none"> • We qualified our certificate to report that supporting evidence for contracts, expenditure for which is included on the claim, had not been made available. (Recommendation 2) 	£nil

Ref	Summary observations	Amendment
[15]	<p>Communities First</p> <ul style="list-style-type: none"> • Monergy plus – we requested an amendment to column 15 for volunteer cost of £5,723.50 being overstated by £777.50 because a volunteer who had provided £777.50 worth of time was also a salaried employee and should not have been included in volunteers, and to the level of match funding costs where there was insufficient evidence to demonstrate match funding. • Dyfi Valley – we requested an amendment to a typographical error on the Community Events line, this had no impact on the amount that can be claimed. (Recommendation 1) 	£nil
[17]	<p>Housing Subsidy</p> <ul style="list-style-type: none"> • We requested amendments to entries on the form at cells 2830, 2831, and 2832 to adjust for income from council house rents to be presented net of voids. (Recommendation 1) • An incorrect basis was used to calculate the reserved portion the land element of the Council Dwellings. 0% has been applied but as the land is not land excluding a dwelling, then the percentage applied should be 50% (in line with prior year). An amendment was made to use the correct portion in the calculation. • Estimated data had been used to calculate the Capital Financing Requirement and the calculation was subsequently updated to reflect the out-turn data. The impact of this and the other amendments referred to above, is to decrease the amount of housing subsidy due back to the Welsh Government by £1,106. 	-£1,106
[18]	<p>Learning Pathways</p> <ul style="list-style-type: none"> • We qualified our certificate in respect of funding designed to support the delivery of Design and Technology studies, through the medium of Welsh, where £18,000 of grant was allocated to WMF06 but the invoice received from Builth Wells High School shows only £10,264.50 was for the delivery of Design and Technology lessons through the medium of Welsh. The rest of the invoice was for the delivery of French and Music through the medium of Welsh, as well as a small amount (£179.70) on Welsh-French dictionaries. We therefore qualified our certificate regarding the remaining £7,735.50 as there is no basis to consider it eligible. (Recommendation 3). • Our certificate is also qualified regarding a virement request relating to the Welsh Medium fund submitted directly to Welsh Government on 5 March 2013, after the 14 February 2013 closing deadline set by Welsh Government. (Recommendation 5) 	n/a

Ref	Summary observations	Amendment
[20]	Free Concessionary Travel <ul style="list-style-type: none"> The claim was amended to reflect the Authority specific adjustments designated by the guidance to this scheme. (Recommendation 1) 	£1,000
[21]	Regional Transport Consortia <ul style="list-style-type: none"> The claim form shows a balance of £240.78, this agrees to what is on the ledger and agrees to the detailed monthly claim forms that have been submitted to Welsh Government, though it appears the final month claim was completed incorrectly meaning Welsh Government have paid a lower amount, therefore leaving a balance owing. This should be followed up with Welsh Government. (Recommendation 1) 	£2,307
Total effect of amendments to the Authority		£772

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 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>There were instances where claims were not prepared correctly:</p> <ul style="list-style-type: none"> • arithmetic errors, • cell entries left incomplete; • claim does not have an original signature; and • specific claim requirements not met, in this case concessionary travel. 	<ul style="list-style-type: none"> • Claims may be qualified or amended. 	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 reinforce with Accountants October 2014

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"> There was no evidence to support contracts included on Learning Disability claim. 	<ul style="list-style-type: none"> Lack of audit trail for public monies. 	<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.</p> <p>Officer responsible for Learning Disability claim will be notified of this issue.</p>	<p>Accountancy Manager to reinforce with Accountants and other officers October 2014</p>
<p>Unapproved or ineligible expenditure included, and in this case:</p> <ul style="list-style-type: none"> the Schools Effectiveness claim included expenditure above an agreed level; and Learning Pathways claim included expenditure on delivery of lessons not in the approved plan. 	<ul style="list-style-type: none"> The Authority has not complied with the terms and conditions of grant. 	<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 October 2014</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"> The process between the Council and third parties to ensure grant has been used for the purposes intended has not worked well. This is evident from the Families First, Flying Start and Substance misuse returns. 	<ul style="list-style-type: none"> Claims may be qualified. Grant may be reclaimed by the Welsh Government. 	<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. The Authority should revisit its procedures for doing so.</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 by December 2014</p>
<p>Welsh Government approval not sought for virement within the specified date on Learning Pathways claim.</p>	<ul style="list-style-type: none"> The Authority has not complied with the terms and conditions of grant. 	<p>R5 Approval from the grant-paying body is sought prior to audit for all required changes.</p>	<p>[2]</p>	<p>Issue to be raised with officer.</p>	<p>Accountancy Manager October 2014</p>

Fees

11. Our overall fee for the certification of grants and returns has been £101,000, and is lower than the previous year's fee of £105,000 mainly because there are two fewer claims requiring certification in the year.

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