



Certification of Grants and Returns 2013-14

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 2013-14 grant claims, there remains scope for improvement in the process of obtaining third party certificates. We continue to work with the Authority to make these improvements for 2014-15. Our conclusion for 2013-14 is based on the following overall findings:
 - the Authority worked closely with us to ensure an accurate and up-to-date schedule of 2013-14 grants was in place throughout the year, though the required returns associated with all pooled budget agreements have not been completed and the work remains in progress; and
 - there remains scope to improve your arrangements for obtaining information promptly from partners and third parties to support grant claims expenditure.
4. For 2013-14 we certified 20 grant claims, one fewer than for 2012-13; and while these equated to some £6 million less in terms of total value of claims certified there were some significant movements into and out of certification. This year the housing benefit claim no longer includes council tax benefit, the learning disability claim and regional transport grant did not require certification whilst we certified the strategic regeneration and pooled budget returns for the first time.
5. The Authority did not submit four of its 2013-14 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 £86,000. Overall, the audits resulted in a decrease of £214,433 in the value of claim certified by the Authority in respect of 2013-14.
6. Eight of the returns were qualified, being more than the previous year. In four of these instances it reflects a common theme of not obtaining robust and timely information from third parties as supporting evidence for the form entries.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2013-14 grant claims and returns

Pages 9-14

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify claims and returns made by the Authority, and this year we certified 18 claims with a total value of £50,818,457 and two returns with a total value of £36,769,069, being Housing Benefit and Non Domestic Rates.
- At the start of our grant audit work for 2013-14, we met with the grant co-ordinator and key financial officers and agreed our proposed approach for completing grant work. We have previously arranged to receive certified claims with a checklist and access to an electronic shared folder for working papers. The grant checklist highlights key areas the Wales Audit Office will review whilst certifying grant returns.
- We distributed a schedule of submission and certification deadlines for all grants work due to the Authority's grant co-ordinator, who informed key officers involved in grant claim preparation, and returned the schedule to us annotated with expected submission dates and key contacts. We believe this approach is efficient and forms a key part of the preparation and submission process.
- This report provides feedback collectively to those officers having the responsibility for grant management and seeks to identify further improvements which can be made to the process.

Timely receipt of claims

- Our analysis shows that 75 per cent of claims were received by the Authority's deadline. This represents a decline from 87 per cent received by the deadline last year and, numerically, represents four claims being late this year compared to three last year.
- The grant co-ordinator should continue to ensure all grant claims are submitted by the deadlines and that replies to audit queries are typically provided within 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.

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Certification results

We issued unqualified certificates for 12 grants and returns but qualifications were necessary in eight cases.

- The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and those arising for the first time during our grant work completed in 2013-14:

Qualification issues arising from not complying with scheme conditions

- As we have reported in previous years the Authority did not arrange for complete and timely information from third parties. 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, and not implementing robust monitoring procedures throughout the year. These are Families First, Flying Start and Substance Misuse, though improved procedures were implemented late in the year for Substance Misuse monitoring and inspection processes.

Other Qualification issues

- We qualified the housing benefit claim in relation to differences shown on the claim reconciliation cells and an error in the calculation of a modified scheme payment. Other qualification matters reported were payments to concessionary fare operators not being in line with guidance, an unclear basis of apportioned expenditure to the flying start capital claim and failure to provide a signed project approval form with the strategic regeneration claim.

Pages 9-14

Audit adjustments	<p>Adjustments were necessary to 10 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 three significant adjustments (i.e. over £10,000) which resulted in a reduced grant to the Authority. These were for £50,866 of expenditure on the housing subsidy claim that did not agree with the ledger, £11,910 of expenditure that was not supported by ledger entries for schools education grant and £16,885 of expenditure by third parties for which no evidence of occurrence was available. Other significant adjustments were made to the NNDR claim to adjust the bad debt provision but does not affect grant to the Authority. • The net adjustment is a decrease of £214,434 in the value of claim certified. 	Pages 9-14
The Authority's arrangements	<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas and our recommendations are set out at pages 15-19. Our priority recommendations are that:</p> <ul style="list-style-type: none"> • the Authority should satisfy itself 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 • appropriate supporting evidence is retained to support all claim entries and demonstrate compliance with the scheme conditions. 	Pages 15-18
Fees	<p>Our overall fee for certification of grants and returns for 2013-14 is £89,000 which is below our original estimate of £110,000 to £120,000</p> <ul style="list-style-type: none"> • We have completed the work within our proposed fees. 	Page 19

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 2013-14 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 2013-14 (2012-13)

Overall, we certified 20 (21) grants and returns:

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

Summary of the key outcomes from our certification work on the Authority's 2013-14 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	30 May	20 May	No		£ -124,503		
[2]	Schools Effectiveness Grant	30 Sept	7 Oct	Yes		£ -11,910		
[3]	Housing Benefit and Council Tax Subsidy	30 Apr	22 Apr	No				
[4]	Welsh in Education	30 Sept	30 Sept	No			£ -5,280	
[5]	Section 24 NHS Transfers	30 Sept	16 Oct	Yes				
[6]	Teachers Pension	30 June	24 May	No			£ 161	
[7]	Sustainable Waste	30 Sept	14 Oct	Yes				
[8]	Flying Start	30 Sept	30 Sept	No			£ -16,885	
[9]	Families First	30 Sept	30 Sept	No			£ -7	
[10]	Substance Misuse	30 Sept	30 Sept	No			£ -5,144	

[11]	Flying Start Capital Grant	30 Sept	29 Sept	No				
[12]	Pooled Budget 2013-14 CESI	9 May	21Jan 15	No				
[13]	Pooled Budget 2012-13 CESI	9 May	21Jan 15	No				
[14]	Pooled Budget 2011-12 CESI	9 May	21Jan 15	No				
[15]	Pooled Budget 2010-11 CESI	9 May	21Jan 15	No				
[16]	HRA Subsidy	30 Sept	22 Sept	No		£ -50,866		
[17]	Learning Pathways	30 Sept	16 Sept	No			£ 0	
[18]	Social Care Workforce Programme	26 Sept	26 Sept	No				
[19]	Free Concessionary Travel	30 Sept	30 Sept	Yes				
[20]	Strategic Regeneration Area	30 Sept	30 Sept	No				
Total					8	£ 187,279	£ 27,155	7

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>NNDR</p> <p>We requested an amendment to the return in respect of an incorrect date disclosed as the latest date for which VO directions are taken into account, amending the date to 4 March 2014.</p> <p>The claim was also amended to exclude deferred payments from line 1, as required by the guidance notes, and bad debt provision at line 25 also amended to reflect debt previously excluded from the initial calculation of bad debt provision. (Recommendation 1)</p>	£-124,503
[2]	<p>Schools Effectiveness and Pupil Deprivation Grant</p> <p>An entry of £11,910 could not be agreed to the ledger, and the claim was amended to ensure all entries on the claim reconciled to the ledger. Whilst the remaining expenditure was subsequently reconciled to the claim this was not available at the outset and contributed to a delayed certification. (Recommendation 3).</p> <p>We also agreed an amendment to reduce the administration costs that was entered incorrectly to the statement to bring this within the designated limit. (Recommendation 1)</p>	£ -11,910
[3]	<p>Housing Benefit and Council Tax Subsidy</p> <p>The Housing Benefit and Council Tax Subsidy claim was qualified regarding an isolated error on a modified scheme payment and the annual reconciliation process.</p>	£ nil
[4]	<p>Welsh in Education</p> <p>The updated claim had not been signed, and required an amendment to reduce administration costs in order to remain within the designated limit. (Recommendation 1)</p>	£ -5,280

Ref	Summary observations	Amendment
[6]	<p>Teachers Pension</p> <ul style="list-style-type: none"> We identified an error where a staff member has two elements of salary, Normal Pay and Warden Allowance, and testing confirmed that 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. We qualified the claim in respect of instances of back pay having led to errors in the calculation of employee deductions. (Recommendation 1) 	£ 161
[8]	<p>Flying Start</p> <ul style="list-style-type: none"> Two of 16 partners did not provide signed third party certificates, and five of the 16 did not submit the required accounts with their information and our certificate was qualified in this regard. (Recommendation 4) We requested an amendment to the claim where a contribution of £11400 was made to the salary for an Administrative position relating to the Early Language Development project but actual salary costs were £2,676.19 thus an overstated by £8,723.81. Our extended testing to see if further amounts were overstated showed that in two of three instances an over-claim had occurred. The amounts involved were £28.72 and £99.78. The total of overstated amounts in this instance was thus £8,852.31 and the claim was reduced. (Recommendation 3) Our testing found that three service level agreements with Hope Nursery, St John's centre and action for Children were not signed until part way through the year, thus not providing a prompt basis for activities in the year. These should be agreed and signed on a prompt basis. 	£-16,885

Ref	Summary observations	Amendment
[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 one of the partners, and a further two partners did not provide the required signed accounts to accompany the certificate. Our certificate is qualified for not retaining suitable evidence of partner transactions. (Recommendation 4) • As with the Flying Start claim above we found one service level agreement with Action for Children not signed until part way through the year. These should be agreed and signed on a prompt basis. • We identified an item of expenditure for £6750 classified on an incorrect line and the item was moved to the correct line. There is no impact on grant payable. (Recommendation 1) • The claim was arithmetically incorrect and we requested an amendment to ensure correct arithmetic. (Recommendation 1) 	£ -7
[10]	<p>Substance Misuse</p> <ul style="list-style-type: none"> • As in previous years the Authority has engaged third parties to deliver part of the service but did not retain robust evidence of monitoring and inspection prior to new staff appointments in January 2014, and our certificate was qualified in this respect. It is essential for 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) • Our testing identified apportionment of a department's time for costs amounting to £31,905 for which the Council has not retained evidence to support its calculation or that it's been prepared on a robust basis, for example, a time recording analysis or detailed assessment of project costs, and our certificate was qualified as we were unable to confirm apportionments to the claim are made on a fair basis. (Recommendation 2) • The presentation of information on the form did not comply with form instructions, and we requested an amendment. (Recommendation 1) 	£ -5,144

Ref	Summary observations	Amendment
[11]	<p>Flying Start Capital Grant</p> <ul style="list-style-type: none"> We qualified our certificate to report that invoices from a supplier for consultancy fees had been apportioned to the claim but there was no firm basis for making that apportionment. (Recommendation 2) 	£nil
[12-15]	<p>Pooled Budgets</p> <ul style="list-style-type: none"> We noted that the pooled budget agreements for the schemes had not been registered with the Welsh Government. (Recommendation 2) 	£nil
[16]	<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) Interest payable in 2013-14 was not entered as the actual amount payable in cell 0400, where an estimated sum was included due to an incorrect item being identified. We requested the cell be amended. (Recommendation 3) Apportioned debt management expense to the account was misstated at cell 0491. A revised supporting calculation showed the required entry of £3,203 and the claim was subsequently amended to agree with the ledger and working paper entry. (Recommendation 3) 	£ -50,866
[17]	<p>Learning Pathways</p> <ul style="list-style-type: none"> The Statement of Revenue Expenditure was incorrectly completed by presenting in column D that Powys has received £824,617 from the regional lead, when it was confirmed they've received £822,515.93. The claim was replaced by a later version to show the correct presentation. (Recommendation 1). 	n/a

Ref	Summary observations	Amendment
[19]	<p>Free Concessionary Travel</p> <ul style="list-style-type: none"> The authority incorrectly deducted an item of £13,268 from operator costs at line 3a, when it should have been added to Line 4a, and we requested an amendment to the claim. (Recommendation 1) Guidance notes for completing the claim show that Line 3c of the claim form requires an explanation of “any other adjustments”, but no narrative was provided, and we requested the appropriate narrative be inserted. (Recommendation 1) Guidance notes for completing the claim indicate that interim payments may be made at 85% (or some other percentage more than 85% but less than 100%). However, we found that interim payments were made at 67%, thus outside this guidance. We reported this issue in our qualification letter. (Recommendation 1) 	£ nil
[20]	<p>Strategic Regeneration Area</p> <ul style="list-style-type: none"> The Authority did not provide a signed project application form which would allow our checking that expenditure included in the claim is in line with this and hence eligible for grant. Our certificate was qualified in this respect. (Recommendation 2) 	£ nil
Total effect of amendments to the Authority		£ 214,443

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 not complying with instructions; • claim does not have an original signature; and • specific claim requirements not met, in this case regarding concessionary fares, NNDR and Housing Subsidy. 	<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 Finance Manager - Operations	Finance Manager – Operations to reinforce with Accountants and other officers July 2015

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 the apportionment of a department's time for the substance misuse claim; • invoices from a supplier for consultancy fees were apportioned to the Flying Start Capital claim but there was no firm basis for making the apportionment; and • pooled budget agreements need to be registered with the Welsh Government. 	<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 and basis of apportionment is evidenced clearly.</p> <p>Service Officer & Head of Service responsible for individual grant claim will be notified of issues.</p> <p>All outstanding Pooled Budgets have been completed and submitted for Audit .</p>	<p>Finance Manager – Operations July 2015</p> <p>3rd July 2015</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Unapproved or ineligible expenditure included, and in this case:</p> <ul style="list-style-type: none"> the Housing Subsidy claim included interest payable initially computed on the wrong basis and was amended, and the entry for debt management expenses did not agree with supporting records; the School Effectiveness Grant included £11,910 of expenditure not supported by accounting records; and there were items of expenditure included on the Flying Start claim that did not have supporting evidence and the claim was reduced. 	<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>Reinforcement of grant requirements and recommendations identified within this report with Accountants and Service officers.</p>	<p>Finance Manger – Operations July 2015</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 remains evident from the Families First, Flying Start and Substance misuse returns though improved process are being established. 	<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>This issue has been raised on previous occasions for these specific grants, requirements have been reinforced with service officers. Issue will be raised with Heads of Service and Strategic Director.</p>	<p>Finance Manager – Operations July 2015</p>

Fees

11. Our overall fee for the certification of grants and returns has been £89,000, and is lower than the previous year's fee of £101,000 mainly because there are fewer claims requiring certification in the year.

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