

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Agenda Item 7



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Certification of Grants and Returns 2013-14

Monmouthshire County Council

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Summary

Introduction

1. Monmouthshire County Council (the Council) is responsible for preparing a range of grants and returns (hereafter referred to as grant claims) for submission to grant paying bodies.
2. In our role as your external auditors, we are required to certify these grant claims in accordance with the respective certification instructions and conclude on whether expenditure has been incurred in accordance with the relevant terms and conditions.
3. The certification instructions prescribe the work to be undertaken and any errors identified, regardless of their value, will result in the claim being amended or qualified.
4. This report provides a summary of the outcomes of our 2013-14 grant audit work including our findings on the effectiveness of the Council's grants preparation arrangements.
5. Our Audit Outline for 2013-14 estimated that the total fee for grant certification work to be in the £70,000 to £75,000 range. The actual cost of completing the work is £48,856, which was lower than our initial range estimate mainly as a result of the following:
 - a. reduced time taken to audit the Housing Benefit claim as Council Tax subsidy is no longer audited as part of the claim, a reduction of some £5,200 when compared to our initial estimate;
 - b. Regional Transport grant was removed from the audit programme resulting in a reduction of some £1,600; and
 - c. three claims only required minimal work by us as they are being audited centrally within the Education Advisory Service – a reduction of some £9,200 against our estimate.

The Council's grants management processes have improved but further work is still needed

The Council has improved grants completion and submission to audit and fewer claims were qualified than in previous years

6. In completing our grants work in previous years, we have reported that since 2009-10 there have been a high number of qualifications, amended claims and late claims. As shown in **Exhibit 1** the position since 2009-10 has been varied with some volatility in each of the performance measures identified. In 2013-14, there have been improvements in most areas although the relative number of qualifications and amendments remain broadly consistent with the position in 2012-13.

Exhibit 1 – Summary performance information

Issue	2009-10	2010-11	2011-12	2012-13	2013-14
Total claims audited	20	17	16	15	12
Number of qualifications	9	8	9	6	4
Number of amended claims	8	5	8	6	5
Number of late claims (to the Wales Audit Office)	17	6	3	6	3

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7. We certified 12 claims with aggregate expenditure totalling some £54.938m. Of the 12 claims certified (15 in 2012-13):
 - five were certified with no issues reported (six in 2012-13);
 - two were qualified (six in 2012-13);
 - three were amended (six in 2012-13)
 - two claims were both qualified and amended (three in 2012-13); and
 8. The total value of these amendments was a £4k reduction in the amount of the grant funding received by the Council (£6k reduction 2012-13). We are however unable to quantify the impact of the qualifications as this depends on the action taken, if any, by the grant paying bodies.
 9. We received fewer late claims than in the previous year and all certified claims were submitted to the grant paying body on time. There were no reductions in the amount of grant payable to the Council for the four claims that were amended, which is an improvement on 2012-13 where the reduction of eligible grant was some £52,000. It is important to note, however, that three of the four claims that led to the amendment last year were audited centrally as part of the Education Advisory Service (EAS). On a like-for-like basis (excluding all claims now audited as part of EAS) the amendments relating to last year were some £17,500. We have summarised all of the matters arising, on a claim-by-claim basis in [Appendix 1](#).

The Council's quality-assurance arrangements could be further improved to prevent errors in claims

10. Of the claims amended, all were amended to reflect presentational errors in the claim that had not been corrected prior to submission to us. While there was no direct adverse financial impact from these errors, greater effort is needed in ensuring claims have been checked in sufficient detail before being submitted for audit.
11. The Council's internal quality-assurance arrangements involve using its grant completion checklist to ensure the claims are ready for audit. However, the Council needs to review its content to ensure it becomes more robust in preventing and detecting errors on the claim before being submitted for audit, referring to the list of issues in [Appendix 1](#).

The Council needs to make further progress against some recommendations we made in previous reports

12. Our previous year's report included several recommendations to the Council that needed to be addressed as part of the 2013-14 grant claim work. Of the four recommendations we raised, two have been fully implemented with further work needed by the Council on the remaining two. We have summarised the actions taken in Appendix 2 of this report.

Indirect cost apportionments were not always fully supported

13. In our previous years' reports for 2012-13, 2011-12 and 2010-11, we reported the need for the Council to improve the documentation it retains to support apportioned costs. We identified similar issues again this year where cost apportionments were not properly supported and had to be qualified in our reports to the grant paying body.
14. The issue relates to indirect costs such as vehicle maintenance/running costs which need to be apportioned to individual vehicles, not all of which are involved in activities that are eligible to be included in the grant claim. The current method of apportioning these costs allocates an equal share of the costs to vehicles and does not take account of vehicle usage/mileage and would therefore represent a more reasonable basis for apportionment.
15. As has been the case in previous years, we identified that there was little detailed evidence to demonstrate that an appropriate cost apportionment methodology had been used to support the amount included in the grant claim. Without this evidence we were unable to satisfy ourselves that the amount to be recharged was reasonable and in accordance with the relevant certification instruction.

The housing benefits system parameter errors reported last year remain uncorrected

16. Our audit of the Housing Benefits Subsidy claim was completed and we are pleased to report that the recent improvements in the Council's processes continued again this year.
17. The Housing Benefits claim is particularly complex with detailed audit requirements and as a result there is an increased probability the audit will result in amendments and qualifications. Historically, we have reported a number of issues that have arisen from our audit work within a qualification letter to the Department for Work and Pensions (DWP).

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18. We identified fewer issues during the audit and this enabled us to reduce the time we needed to complete our audit work this year. No amendments were made to the claim and no qualification letter was issued to the DWP. As a result, the grant fee for this claim has reduced by some £5,200 when compared to our initial estimate, and £4,500 less than our equivalent fee for 2012-13.
 19. From our 2013-14 work we identified one agreed action from our prior-year report that remained outstanding. The issue related to system parameter data which did not correctly record the number of bedrooms for various types of properties used in providing accommodation to claimants. Further detail is provided in Appendix 2.
 20. We have re-raised this recommendation although we understand from discussions with Council staff that progress has been made in correcting these system parameter errors in 2014-15.

Appendix 1

Summary of matters arising for grant claims

Detailed on the following page is a summary of the key outcomes for each of the grants we have certified.

Ref	Summary observations	Qualified	Amended
1. Housing Benefit Subsidy	<ul style="list-style-type: none"> The claim was received by the Wales Audit Office after the deadline due to additional checks undertaken by the Council to manually amend aspects of the claim. This resulted in the Wales Audit Office auditing an amended claim. This arrangement reflects the historical position prior to Torfaen County Borough Council's Housing Benefit department taking over processing of the claim, and now that the position has greatly improved this arrangement should be reviewed, with a view to bringing these additional checks forward so that they are aligned with the submission deadline. The claim was sent to the Wales Audit Office directly and not via the Grants Co-Ordinator and no hard copy was available along with the electronic copy. 	No	No
2. 21 Century Schools	<ul style="list-style-type: none"> The claim was received on 9 October 2014 after the 30 September deadline. No issues arose from the certification work. 	No	No
3. Flying Start	<ul style="list-style-type: none"> The claim was amended as the table of projects in the claim did not agree to the Council's supporting records. 	No	Yes
4. Flying Start (Capital)	The claim was amended as the actual eligible expenditure in the claim was shown as £1,911,103.31 on Line 2 of the Statement and not the correct amount of £191,103.31.	No	Yes
5. Families First	No issues arose.	No	No
6. Pooled Budget	The claim was received by the Wales Audit Office on 13 May 2014 after the deadline of 9 May 2014.	No	No
7. Health Act ss28A and 28BB money transfer	No issues arose.	No	No

Ref	Summary observations	Qualified	Amended
8. National Non-domestic Rates Return	<ul style="list-style-type: none"> The claim was qualified as the Council's procedures were not followed for awarding of discretionary relief. Line 15 was amended to correct an incorrect date – amended from 26 March 2014 to 26 February 2014. 	Yes	Yes
9. Sustainable waste management	<ul style="list-style-type: none"> Vehicle maintenance charges apportionments were qualified, as they were in 2012-13 and 2011-12, as there was insufficient evidence to support the basis of the apportionment. The claim was received by the Wales Audit Office after the deadline albeit by one day, which was the also case in 2012-13. 	Yes	No
10. Teachers Pensions Return	<ul style="list-style-type: none"> The claim was not correctly completed as contributions for employers and teachers were entered in the wrong columns. The claim was also amended for pension costs that needed to be reclassified into different contribution bands in the claim. 	No	Yes
11. Social Care Workforce Development Programme support	<ul style="list-style-type: none"> The claim was qualified as a result of incorrect VAT treatment, which resulted in the costs being overstated in the claim. Further work was required by the Council to determine the full amount of overstatement. The claim was amended resulting in a reduction of some £3.9k in grant funding 	Yes	Yes
12. Free Concessionary Travel	<p>No matters arose with regard to the expenditure recorded in the claim.</p> <p>We issued a qualification letter in respect of the Council not fully achieving the Welsh Government target for collecting data via the automated Smartcard system.</p>	Yes	No

Appendix 2

Action Plan

Follow-up of prior-year recommendations

Recommendation	Agreed Action	Status	Further Action required
<ul style="list-style-type: none"> The Council needs to ensure reconciliations between the grant claim and the financial ledger are appropriately detailed to facilitate the selection of transactions for audit testing. 	<p>Need to re-emphasise the cross referencing of working papers to the final grant claim by use of appropriate alpha/numeric coding as per the grants protocol and grants checklist.</p>	<p>Implemented</p>	<p>None identified</p>
<ul style="list-style-type: none"> Where expenditure relates to activity that straddles more than one financial year it is apportioned to the grant on a pro-rata basis. The Council also needs to approach the funding body to obtain clarification on any specific items where it feels a pro-rata basis is not appropriate. 	<p>Need to emphasise to grant officers and the grant finance officers the need for the allocation of expenditure on an accruals basis if specified by the terms and conditions of the grant or by evidenced clarification from the funding body if it straddles grant claim years, even if the grant is continuing on an ongoing basis.</p>	<p>Implemented</p>	<p>None identified</p>

Recommendation	Agreed Action	Status	Further Action required
<ul style="list-style-type: none"> The Council needs to ensure that indirect cost apportionments are fully supported. As a minimum this should detail the basis for apportioning the total costs to recipient departments. 	<p>Overhead costs are calculated on an annual basis centrally for the re-allocation of service expenditure budgets. Any recharges from service departments to grants claims are the responsibility of the respective service manager. It is agreed that the basis for apportionment of overhead charges should be supported by appropriate calculations originating from the service department.</p>	<p>Not fully implemented – our sample testing on all claims only one overhead recharge was tested and this was not appropriately supported.</p>	<p>In our view further work is required to strengthen the methodology used to apportion costs for the Waste Management Grant. We understand however that officers have discussed this matter directly with Welsh Government and have agreed that this is not a significant matter.</p>
<ul style="list-style-type: none"> The Council needs to review its arrangements for input and checking of standing data in the Housing Benefits system. 	<p>‘Standing data’ is a reference to system parameters. There were issues identified with the way system parameters had previously been updated (not by Benefits). They are largely resolved and appropriate checks will be carried out this year to ensure the data is correct.</p>	<p>Not implemented</p>	<p>The parameters on the Northgate system need to be amended for all properties where the number of bedrooms recorded is less than the actual number of bedrooms at the property.</p>

Appendix 3

Grant scheme	2012-13 fee £	2013-14 fee £
Housing and Council Tax Benefits Scheme	26,598	22,077
Schools Effectiveness grant *	4,851	374
Transitional SBIG/21 Century Schools	2,739	1,975
Learning Pathways *	4,973	336
Welsh in Education *	2,079	336
Flying Start	3,168	1,981
Flying Start (Capital) (new for 2013-14)	0	1,259
Families First	4,290	2,973
Grant Planning, S&R	1,711	1,962
Pooled Budget	1,165	931
Health Act ss28A and 28BB money transfers	1,947	1,653
National Non-domestic Rates Return	5,313	4,148
Sustainable Waste Management	1,815	2,136
Teachers Pensions Return	2,376	2,086
Social Care Workforce Development Programme/Training support	3,267	3,169
Regional Transport Grants	1,914	0
Free Concessionary Travel	2,079	1,460
	70,285	48,856

* Note : limited WAO testing was undertaken on these claims during 2013-14 as they were audited centrally by the external auditors of Torfaen County Borough Council who host the EAS.

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