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Auditor General for Wales



WALES **AUDIT** OFFICE  
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# Certification of Grants and Returns 2014-15

## **Monmouthshire County Council**

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# Status of report

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We have concluded our 2014-15 grant certification audit and there has been an improvement in all key outcome measures – no claims were qualified and there has been a reduction in the number of claims amended. As a result, the overall audit fee has reduced. There are however some areas for further improvement to address for 2015-16.

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# Summary report

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## 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. The certification instructions issued by the Auditor General for Wales prescribe the work to be undertaken.
3. Our certification arrangements in 2014-15 have changed from prior years with the Welsh Government requiring us to seek a claim amendment (or issue a qualification letter) only when errors amount to £10,000 or more.
4. We have now certified all of the Council's grant claims and returns for 2014-15 in accordance with the relevant certifications. This report provides a summary of the outcomes of our 2014-15 grant audit work.

## Summary of 2014-15 grant audit work

5. We certified 11 claims with aggregate expenditure totalling some £56.148m. Of the 11 claims certified (12 in 2013-14):
  - 8 were certified with no issues reported (5 in 2013-14);
  - 0 claims were qualified (4 in 2013-14);
  - 3 were amended (4 in 2013-14); and
  - There were no claims that were both qualified and amended (1 in 2013-14).
6. There has therefore been a reduction in the number of qualifications and amendments. The main reason for this is due to the revised certification arrangements in 2014-15 where errors amounting to less than £10,000 were not required to be qualified or amended but instead reported to the Council via a grants feedback note. Our grants feedback note for 2014-15 reported on four claims that would have previously been qualified. The key issues from the feedback note have been reflected within this Grants Certification report.
7. We are also pleased to report all claims were received for audit in line with the agreed deadline. A small number of claims with 30 November deadlines did however experience minor delays in onward submission to the grant paying bodies, due to staffing constraints within the WAO. All claims with 31 December 2015 deadlines were submitted on time.
8. Of the three claims that were amended, there was a net gain to the Council of some £9,200 of additional funding whereas this comparative figure for 2013-14 was a reduction of £17,500.
9. We have summarised all of the matters arising, on a claim-by-claim basis in Appendix A.

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- 10.** Appendix B of this report summarises recommendations raised to the Council that need to be addressed as part of the 2015-16 grant claim work. Appendix B also summarises the Council's progress in addressing recommendations we have raised in prior years. There are no outstanding actions for the Council in respect of prior year recommendations.
  - 11.** Our Audit Outline for 2014-15 estimated that the total fee for grant certification work would be within the range of £45,000 - £50,000. Our final cost estimate for completing the work is £43,836, which is lower than our initial range estimate and £5,000 lower than our comparative audit fee for 2013-14 (£48,704). A detailed breakdown of the fees charged for each grant is summarised at Appendix C.

# Detailed report

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## The Council's grants management processes have improved but can be further refined

12. In completing our grants work in previous years we have highlighted a general pattern of a relatively high number of qualifications, amended claims and late claims. There has been a significant improvement however in respect of the 2014-15 grant certification audits as outlined within Exhibit 1; mainly as a result of the introduction of revised requirements by the Welsh Government.

### Exhibit 1 – Summary performance information

Issue	2010-11	2011-12	2012-13	2013-14	2014-15
Total claims audited	17	16	15	12	11
Number of qualifications	8	9	6	4	0
Number of amended claims	5	8	6	4	3
Number of late claims (to WAO)	6	3	6	3	0

13. Regarding the three amended claims:
- one increased the total expenditure included on the claims with the result that the Council could claim an additional £9,200 of grant funding;
  - One resulted in a change to the overall expenditure in the claim but did not impact on funding; and
  - one related to an incorrect claim form being used.
14. The Council's internal quality assurance arrangements involve using its grant completion checklist to ensure the claims are ready for audit. This worked well and ensured that the sorts of issues we identified in prior years were addressed before we commenced our audit work.
15. As referred to above, the Welsh Government has introduced revised arrangements for grant certification work which mean that errors amounting to less than £10,000 will not result in amendment and/or qualification. Instead such matters are reported locally to officers for consideration. Whilst we reported such matters in respect of four of the grants we audited, none of the issues were significant. Further information on the issues arising on a claim-by-claim basis is detailed in Appendix A.

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## The Housing Benefits claim continues to be completed to a high standard although there is scope for further, small, improvement.

16. We are pleased to report that the recent improvements in Council processes continued again this year. Only one amendment was made to the claim that resulted in additional subsidy being claimed for some £9,200 and no qualification letter was issued to the Department for Work and Pensions (DWP). In addition the agreed action arising from our 2013-14 audit had been implemented.
17. We did however identify two issues that will require action by the Council prior to compiling the 2015-16 claim. These issues are summarised below:
- We identified an error whereby Thomas Powis Almshouse had been incorrectly treated as a registered social landlord (RSL) (and shown in cell 102 of the claim) but was not included on the Welsh Government (WG) list. Accordingly, correct classification was required in cell 103 as Local Housing Association property; and
  - The accuracy of data in the claim relies on the Council following a prescribed process to review and correct anomalies in the underlying data. The process is prescribed by the software supplier and is based on the Council running several reports from the Northgate system prior to finalising the claim:
    - One of the reports (RBE250) had not been run at the time of preparing the claim. This report was produced retrospectively at our request which resolved some of discrepancies we had identified in the claim reconciliation process; and
    - Another report (SUB057) had been run and reviewed by the Council. This report identifies cases that have been awarded subsidy but not included in the claim, as they are typically complex and prone to error. Although we noted that the Council had run this report and cleared the listed cases, our subsequent review of this process identified some errors which led to several amendments being made to the final claim.

## Recommendations

R1	The Council needs to ensure that only Registered Social Landlords approved by the Welsh Government are treated as such within the Housing Benefits claim.
R2	The Council needs to: <ul style="list-style-type: none"><li>• Ensure that all of the required system reports are run as part of the claim reconciliation process and ensure the reconciliation is complete before the claim is compiled; and</li><li>• Independently review each of the cases in the SUB057 report to ensure they are correctly classified in the claim.</li></ul>

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## Appendix A – 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	System report RBE250 had not been run as part of the claim reconciliation process. This report was run retrospectively and resulted in the claim being amended to correct the classification of certain cases in the claim. The corrections resulted in additional subsidy of £9,234 for the Council. Two recommendations have been raised in the main body of the report to amend claim preparation procedures.	No	Yes
2. 21 Century Schools	No issues arose from the certification work	No	No
3. Flying Start	We reported to the Council that: <ul style="list-style-type: none"> <li>Evidence of approval of 'virements' had not been provided for our audit; and</li> <li>A service Level agreement with Aneurin Bevan had not been signed.</li> </ul>	No	No
4. Families First	No issues arose from the certification work	No	No
5. Pooled Budget	No issues arose from the certification work	No	No
6. Health Act ss28A and 28BB money transfer	The claim was amended to reflect : <ul style="list-style-type: none"> <li>An understated depreciation charge generated by the fixed asset register; and</li> <li>The removal of an advanced payment of £3,000 that related to 2013-14</li> </ul> We also reported to the Council that: <ul style="list-style-type: none"> <li>The advanced 'imprest' payment of £3,000 had not yet been recovered; and</li> <li>Two items tested in our sample had orders placed retrospectively.</li> </ul>	No	Yes
7. National Non-domestic Rates Return	We reported to the Council that: <ul style="list-style-type: none"> <li>Relief had been awarded at an incorrect rate;</li> <li>One vacant property needed to be followed up in 2016.</li> </ul>	No	No
8. Sustainable waste management	We identified two issues where supplier invoices did not specify lease charge costs. This prevented us from agreeing lease charges on a vehicle by vehicle basis as set out in our Feedback note at Appendix B	No	No

## Appendix A – Summary of matters arising for grant claims

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Ref	Summary observations	Qualified	Amended
9. Teachers Pensions Return	The claim form submitted for audit was the version for use in England and not the Welsh version of the form, as was the case last year.	No	Yes
10. Social Care Workforce Development Programme support	No issues arose from the certification work	No	No
11. Free Concessionary Travel	No matters arose with regard to the expenditure recorded in the claim. We issued a separate report to the Welsh Government stating that the target for collecting data via the automate Smartcard system had been met.	No	No

## Appendix B – action plan

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### Recommendations arising from 2014-15 work

Recommendation	Agreed Action/Comments	Implementation Date	Responsible officer
The Council needs to ensure that it allocates RSLs that are included on the WG list.	Agreed – this old claim has been corrected and is now being treated under the correct subsidy rules.	Immediate	Richard Davies
<p>The Council needs to:</p> <ul style="list-style-type: none"> <li>• Ensure that all of the required system reports are run as part of the claim reconciliation process and ensure the reconciliation is complete before the claim is compiled; and</li> <li>• Independently review each of the cases in the SUB057 report to ensure they are correctly classified within the claim.</li> </ul>	Agreed - Running RBE250 was a simple omission from all the reports we are required to run. We will ensure it is run this year as part of the reconciliation process. Reviewing SUB057 did pick up a small number of errors with non-Housing Revenue Account claims, our system provider Northgate have advised that we are able to run a process prior to annual billing that should correct these issues in future	March/April 2016 as part of year end closedown.	Richard Davies

## Appendix B – action plan

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### Follow up of prior year recommendations

Recommendation	Agreed Action	Status	Further Action required
<p>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>	<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>No issues were identified in 2014-15 work.</p>	<p>N/A</p>
<p>The Council needs to review its arrangements for input and checking of standing data in the Housing Benefits system</p>	<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>Implemented</p>	<p>N/A</p>

## Appendix C – analysis of audit fees

Grant scheme	2012-13 Fees £	2013-14 Fees £	2014-15 Fees £
Housing & Council Tax Benefits Scheme	26,598	22,077	18,911
Schools Effectiveness grant *	4,851	374	0
Transitional SBIG/21 Century Schools	2,739	1,975	2,137
Learning Pathways *	4,973	336	0
Welsh in Education *	2,079	336	0
Flying Start	3,168	1,981	3,682
Flying Start (Capital) (new for 2013-14)	0	1,259	0
Families First	4,290	2,973	2,423
Grant Planning, S&R	1,711	1,810	2,073
Pooled Budget	1,165	931	934
Health Act ss28A and 28BB money transfers	1,947	1,653	1,999
National Non-domestic Rates Return	5,313	4,148	2,954
Sustainable Waste Management	1,815	2,136	3,120
Teachers Pensions Return	2,376	2,086	1,902
Social Care Workforce Development Programme / Training support	3,267	3,169	1,275
Regional Transport Grants	1,914	0	0
Free Concessionary Travel	2,079	1,460	2,426
<b>Total</b>	<b>70,285</b>	<b>48,704</b>	<b>43,836</b>

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