



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Certification of Grants and Returns 2014-15

Denbighshire County Council

Audit year 2014-15

Issued: February 2016

Document reference 158A2016

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The team who delivered the work comprised Derwyn Owen, Anthony Veale, Gareth Evans and other members of the Wales Audit Office team.

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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). We undertook our work with the aim of certifying individual claims and to answer the question:
‘Does Denbighshire County Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?’
2. We have completed the audit and conclude that the Council has adequate arrangements in place for the production and submission of its 2014-15 grant claims. We have made two recommendations and are continuing to work with the Council to make further improvements in readiness for the 2015-16 grant claim certification audit.
3. For 2014-15 we certified 14 grant claims with a total value of £81 million; this compares to 19 grant claims with a value of £90 million for 2013-14.
4. Overall, the outcome of our grant certification audits was a net decrease in grant entitlement of £84,537 as set out below.
5. The results of our work also highlighted that:
 - three of the 14 grant claims (21 per cent) were qualified, which compares with three claims (16 per cent) that were qualified in 2013-14; and
 - three of the 14 grant claims (21 per cent) were amended, which compares with six claims (31 per cent) in 2013-14.
6. The year-on-year comparisons in point 5 above should be read in the context of Welsh Government having revised the criteria for qualification for 2014/15, with financial amendments totalling less than £10,000 per grant no longer requiring qualification.
7. We acknowledge the Council’s assistance and co-operation during the audit.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Council's 2014-15 grant claims and returns.

- As appointed auditors of the Council, we are asked on behalf of the Auditor General, to certify grant claims made by the Council.
- For 2014-15, we certified 14 grants with a total value of £81 million, compared with 19 grant claims for 2013-14 with a value of £90 million.
- We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.

Timely receipt of claims

Our analysis shows that 12 out of the 14 grant claims received during the year were received by the audit deadline (14%). The late submission of two claims did not affect our audit work.

Certification results

Of the 14 claims audited, three were qualified (21%), which compares with three claims (16%) qualified during 2013-14.

- Detailed information regarding the specific qualification issues are set out on pages 8 and 9, and in the individual grant qualification letters sent to both the DCC grant administrator and the paying department.

Audit adjustments

Adjustments were necessary to three of the Council's grants:

- There was one significant adjustment to the HRA Subsidy claim of £78,791.
- The net adjustment of the two other grants amended is a net decrease of £5,746.44 in grant entitlement to the Council.

The Council's arrangements

There is some scope to improve the arrangements in place for the production and submission of grant claims.

We have provided the Council with:

- a grants checklist template that, if completed with appropriate working papers at the point of collating the grants returns, will ensure consistency and further strengthen the Council's arrangements with regard to grants; and
- two recommendations which are detailed on page 11 of this report.

Fees

Our overall fee for certification of grants and returns for 2014-15 is £71,542 (2013-14) - £89,658).

Our overall fee for the audit and certification of all of the Council's grants and returns for 2014-15 is £71,542.

In our Audit Plan reported to the Corporate Governance Committee in March 2015, we estimated that for 2014-15, we would audit in the region of between 15 and 20 grant claims with an estimated fee of between £75,000 and £80,000. We will provide a further estimate to the Corporate Governance Committee for our 2015-16 grants work in the Spring of 2016.

Summary of Certification Work Outcomes

8. Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2014-15 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.
9. A qualification means that issues were identified concerning the Council'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 Council to satisfy itself that the full amounts of grant claimed are appropriate.

Key information for 2014-15

Overall, we certified 14 grants and returns:

Ten were unqualified with no amendment.

Two were unqualified but required some amendment to the final figures.

Two required a qualification to our audit certificate.

One was qualified and required some amendment to the final figures.

Ref – Para 8	Grants and returns	Claim value (£000)	Claim due	WAO received date	Received on time	Qualified certificate	Amended certificate	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)
1 BEN01	Housing and Council Tax Benefits	£34,243	30/04/15	27/04/15	Yes	Yes	No	N/A	N/A
2 EDU18	21st Century Schools 2014-15	£3,848	30/09/15	29/09/15	Yes	No	No	N/A	N/A
3 EDU18	Transitional School Buildings Improvement Grant	£548	30/09/15	29/09/15	Yes	No	No	N/A	N/A
4 EYC01	Flying Start Revenue	£1,921	30/09/15	30/09/15	Yes	Yes	Yes	N/A	-£5,746
5 EYC02	Flying Start Capital	£107	30/09/15	29/09/15	Yes	No	No	N/A	N/A
6 EYC14	Families First Revenue	£1,302	30/09/15	30/09/15	Yes	No	No	N/A	N/A
7 HOU03	HRA Subsidy	£3,119	30/09/15	06/10/15	No	No	Yes	-78,791	N/A
8 LA01	National Non-domestic Rates Return	£20,091	29/05/15	05/06/15	No	No	No	N/A	N/A
9 LA12	Sustainable Waste Management	£2,202	30/09/15	16/09/15	Yes	No	No	N/A	N/A

Ref – Para 8	Grants and returns	Claim value (£000)	Claim due	WAO received date	Received on time	Qualified certificate	Amended certificate	Adjustment (>£10,000)	Adjustment (<£10,000)
10 LD02	Land Drainage Flood Defences	£3,200	30/09/15	08/09/15	Yes	No	No	N/A	N/A
11 PEN05	Teachers Pensions Return	£8,177	28/05/15	28/05/15	Yes	No	No	N/A	N/A
12 TRA15	Local Transport Fund	£264	30/09/15	22/09/15	Yes	Yes	No	N/A	N/A
13 SOC 07	Social Care Workforce Development Programme	£143	30/09/15	24/09/15	Yes	No	No	N/A	N/A
14 TRA23	Free Concessionary Travel	£1,833	30/09/15	30/09/15	Yes	No	No	N/A	N/A
	Total							-£78,791	-£5,746

10. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 8 to 9.

Ref	Summary observations	Amendment
1	<p>BEN01 Housing Benefit and Council Tax Subsidy</p> <p>The Housing Benefit and Council Tax Subsidy claim was qualified in respect of the process for reconciling benefit paid to benefit granted and an input error relating to the rental figure that affected one claim. No amendment was required.</p>	£0
2	<p>EYC01 Flying Start Revenue</p> <p>The Flying Start Revenue claim was qualified and amended for the reasons outlined below:</p> <ul style="list-style-type: none"> • The apportionment basis used to allocate grant to fund Bookstart Universal classes was found to be based on historical calculations and was unsubstantiated. • We were unable to substantiate the apportionment basis used to charge management time to the grant. • Although requested and reflected in subsequent allocations, the Council did not receive the required Welsh Government approval to move in excess of 10% of grant funding within budget categories. 	-£5,746
3	<p>TRA15 Local Transport Fund</p> <p>The Local Transport Fund was qualified as we identified that following a tender appraisal process, the Council awarded a contract for works with a value of £511,000 to the lowest tender. The process for then awarding the contract did not comply with the Council's Contract Procedure Rules as it was not properly authorised by an officer or member with the appropriate authority. Furthermore, the Council was unable to locate a copy of the contract.</p>	£0
4	<p>HOU03 Housing Revenue Account Subsidy</p> <p>The HRA subsidy claim was amended at the request of Welsh Government to remove a figure that related to the 2013/14 subsidy claim. This was a timing issue between financial years and did not result in a loss of subsidy to the Council.</p>	-£78,791
	Total effect of amendments to the Council	-£84,537

Recommendations

12. The recommendations arising from our work are set out below.

R1 Specifically in relation to the Flying Start Revenue grant:

- Any apportionment basis applied to allocate grant funding should be reviewed annually to ensure that amounts charged to grant are an accurate reflection of time/cost incurred and that the basis for apportionment is relevant.
- Approval from Welsh Government must be received in accordance with the conditions of the grant **before** any virement of grant funding exceeding 10% of the budget category is actioned.

R2 The Council must ensure that all staff with responsibility for opening and appraising tenders and subsequently awarding contracts, fully comply with the Council's Contract Procedure Rules.

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