



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2018-19 – **Denbighshire 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 public body, make arrangements for certifying claims and returns (referred to as claims, hereafter).
- 2 We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Denbighshire County Council have satisfactory arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
- 3 We have completed our certification work and conclude that the Authority has satisfactory arrangements in place for the production and submission of its 2018-19 grant claims. We have made three recommendations and we continue to work with the Authority to make further improvements in readiness for the 2019-20 grant claim claims, although it is our understanding at present that for 2019-20, grants received directly from Welsh Government are unlikely to be subject to external audit. Nevertheless, the Authority should take measures to address the areas of weakness highlighted in this report. Our conclusion for 2018-19 is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2018-19 grants was in place throughout the year; and
 - there is scope to improve the Authority's arrangements for preparing its claims.
- 4 We certified 9 claims, collectively worth £80,594,054.
- 5 The Authority submitted 78% of its' 2018-19 claims to us on time. We can confirm that we certified all of the claims by the due date, at a total cost of £59,107 (£48,937 in 2017-18).
- 6 Of the nine claims certified, three were qualified (1:3). This is a higher qualification rate than the long-term Welsh average of 1:4.

Headlines

Introduction and background	<p>This report summarises the results of work on the certification of the Authority’s 2018-19 grant claims and returns:</p> <ul style="list-style-type: none"> • We certified nine claims with a total value of £80,594,054; • we provided officers with a comprehensive Good Practice Grant Checklist to be included on each claim file. The Grant Checklist highlighted the key areas we would review; and • we have produced this report to provide collective feedback to those officers having the responsibility for grant management so that we can work together to identify further improvements in claim preparation.
Timely receipt of claims	<p>Our analysis shows that 7 of the 9 claims submitted for audit during the year were received by the deadline set for the Authority in terms and conditions. Two claims were received late – the Free Concessionary Travel claim was submitted 17 days late and the Sustainable Waste Management claim was received by us 12 days after the submission deadline.</p>
Certification results	<p>We issued unqualified certificates for 6 claims and returns, but qualifications were necessary in 3 cases for Housing Benefit Subsidy, Local Transport Fund and Sustainable Waste Management due to:</p> <ul style="list-style-type: none"> • overpaid housing benefit incorrectly classified as eligible for subsidy; • insufficient supporting evidence for internal recharges; and • insufficient supporting evidence for the awarding of a new contract.
Claim adjustments	<p>Adjustments were necessary to 2 of the Authority’s claims as a result of our work:</p> <ul style="list-style-type: none"> • the Housing Benefit Subsidy claim was subject to amendments; and • a minor amendment was also required to the National Domestic Rates Return as one of the cells had been left blank. It had a nil impact on the return.
The Authority’s arrangements	<p>The Authority has satisfactory arrangements for preparing its claims and returns and supporting our certification work, but improvements are required in some areas as the following weaknesses were identified with:</p>

	<ul style="list-style-type: none"> • the method used to calculate internal project management recharges; • the Housing Benefit IT system that led to the subsidy misclassification of overpaid benefit; and • the Authority's Financial Procedure Rules, specifically around retaining contractual documentation.
Fees	<p>Our overall fee for certification work for 2018-19 is £59,107</p> <p>This was greater than our original estimate of £45,000 to £50,000 in our 2018-19 Audit Plan. The increase is attributable to the additional work undertaken in relation to the qualification matters referred to above.</p>

Summary of certification work outcomes

- 7 The following page provides a summary of the key outcomes from our certification work on the Authority's 2018-19 claims and returns, showing where either amendments were made 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 2018-19

Overall, we certified 9 grants and returns:

2 claims required a qualification to our audit certificate.

1 claim was qualified and required amendments to the final figures.

1 claim was unqualified but required an amendment to the final figures.

4 claims were unqualified with no amendment.

1 Certification Feedback Note was issued to the Section 151 Officer.

Ref	Claims and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)
BEN01	Housing Benefit Subsidy	30/04	23/04	No	Yes	No	£0*
LA01	Non-Domestic Rates	31/05	31/05	No	No	No	£0*
PEN05	Teachers Pensions	30/06	30/06	No	No	No	No
LA12	Sustainable Waste Management	31/08	12/09	Yes	Yes	No	No
SOC07	Social Care Workforce Development	30/09	30/09	No	No	No	No
TRA15	Local transport Fund	30/09	30/09	No	Yes	No	No
TRA23	Free Concessionary Travel	30/09	17/10	Yes	No	No	No
EDU18	21 st Century Schools	30/09	30/09	No	No	No	No
LA99	Single summary of WG Grants	30/09	30/09	No	^	^	^
	Total				3	£0	£0

^ The Welsh Government requires auditor findings to be reported in an observations letter, so no qualification is possible on this claim. Consequently, no amendments are possible to the claim.

*Amendment made but no net financial impact on claim due to the nature of the error.

9 This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 5 to 6.

Ref	Summary observations	Amendment
BEN01	<p>Housing Benefit Subsidy</p> <p>The return was qualified due to the identification of a number of errors:</p> <ul style="list-style-type: none"> • Our testing of 60 claims identified 41 where overpayments had been incorrectly classified. The actual errors totalled £5,318 in overpaid housing benefit, that increased to £28,431 when extrapolated across the full population of potentially affected claims. The net subsidy impact of the extrapolation was £11,372 (£28,431 x 0.4). • We identified 1 claim where Civica were unable to provide evidence to support the value of the ineligible service charges that were deducted from the weekly rent. Additional testing of the full population of 29 cases didn't identify any further errors and the subsidy claim was amended by £4,571 to remove the incorrectly claimed subsidy. <p>The amendments had no net impact on the Authority's overall subsidy entitlement as the errors were below the 'Local Authority Error' threshold as prescribed by the Department for Work and Pensions (DWP).</p>	<p>The claim for was not amended for the extrapolated error in accordance with DWP guidelines. The issue was reported to the department.</p> <p>The subsidy return was amended by £4,571 to remove the ineligible charges.</p>
TRA15	<p>Local Transport Fund</p> <p>We were unable to confirm the basis used by the Authority for calculating the overhead element of internal staff recharges and whether the charges were made on a consistent basis with non-grant</p>	-

Ref	Summary observations	Amendment
	funded activity. The total unsubstantiated overhead charge included in the statement was £17,326.41. This matter was reported to the Welsh Government.	
LA12	<p>Sustainable Waste Management</p> <p>The Authority was unable to provide a copy, signed or otherwise, of the recycling contract awarded during the year. This was despite numerous requests to the Authority's procurement service from ourselves and the relevant service manager.</p>	-
LA01	<p>National Non-Domestic Rates return</p> <p>An amendment was required to the return as cell 22 was left blank on original form. The omission did not impact on the Authority's final annual contribution to the NNDR pool.</p>	-
	Total effect of amendments to the Authority's claims and returns	£Nil

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 that 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>Sustainable Waste Management The Authority did not provide sufficient information to enable us to conclude that the awarding of a new contract complied with its Financial Standing Orders.</p>	<p>Potential breach of Financial Standing Orders and grant conditions that could potentially lead to a claw back of funding from Welsh Government.</p>	<p>Ensure sufficient information is retained and readily available to demonstrate that new contracts comply with Financial Standing Orders.</p> <p>Ensure that future information requests are promptly responded to.</p>	<p>1</p>	<p>The service will ensure that Audit Wales queries are dealt with promptly in the future, taking into account service needs and priorities.</p>	<p>Tony Ward, Head of Highways, Facilities and Environmental Services Immediately.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Housing Benefit Overpayment misclassification for rent rebate and Non-HRA rent rebate claims in respect of benefit paid for a period after the tenant has vacated.</p>	<p>Potential loss of Housing Benefit subsidy.</p>	<p>Ensure that for rent rebate and Non-HRA rent rebate cases, all overpayments created as a result of benefit paid after the tenant has vacated are correctly classified as technical overpayments and no subsidy claimed.</p>	<p>2</p>	<p>All staff have been made aware of the issue raised by Wales Audit regarding the misclassified overpayments due to a system error on Non-HRA and HRA Rent Rebates.</p> <p>They have been issued with guidance and briefing notes and how to classify these types of claims going forward.</p> <p>Procedures have been put in place for a monthly report to check these cells on the subsidy claim to reduce the possibility of the exceptions being repeated in future claims.</p>	<p>Jeanette Round, Benefits Manager (Civica) and Paul Barnes.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Local Transport Fund We were unable to confirm the basis used by the Authority to calculate the overhead element of internal staff recharges and whether the charges are made on a consistent basis with non-grant funded activity.</p>	<p>Potential claw back of monies by grant awarding body.</p>	<p>The Authority should review staff recharge rates to ensure that rates applied are appropriate, fully supported and are consistently applied to all schemes, (irrespective of whether the scheme is grant funded).</p>	<p>2</p>	<p>Agreed.</p>	<p>Steve Gadd Chief Finance Officer S151. 30 September 2020.</p>

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