



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

# Certification of Grants and Returns 2013-14

## **Newport City Council**

**Audit year:** 2013-14

**Issued:** March 2015

**Document reference:** 211A2015

**Authors:** Jon Martin and Terry Lewis

# Status of report

---

## **The team who delivered the work comprised**

Team Members: *Nadeem Ashraf , Peter Hinsley, David Hole, Ryan Price, Caitlin Smith, Shahida Tontus and Judith Williams*

Team Leader: *Jon Martin*

Audit Manager: *Terry Lewis*

Engagement Lead: *Anthony Barrett*

This document has been prepared for the internal use of Newport City Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

# Contents

---

Summary	4
Audit Findings	7
Recommendations	19
Fees	24

# 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 Newport City Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?’
3. We have completed our audit work and conclude that the Council had adequate arrangements in place for the production and submission of its 2013-14 grant claims. We certified 20 grant claims with a total value of £149.8 million. For 2012-13 we certified 37 claims with a total value of £158.5 million. The decrease in claim numbers relates mainly to revised arrangements for Communities First projects and the shift to using geographical clusters instead of specific council wards
4. The total cost of our grant claims audit in 2013-14 was £83,000, compared to the 2012-13 fee of £106,200. This equates to a significant decrease of 22%, partly of a result of the reduced number of claims and also as a result of more efficient working due to improvements in some areas.
5. We delivered grants training to Council officers on 17 March 2015. This focused on our approach to the certification of grants, best practice that should be followed and also how improvements could be made to Council processes during the coming year. We also outlined the key elements of our ‘*Joint Protocol on Grants Management*’, how best to use the ‘*Authority Grant Claim Checklist*’ prior to the submission of a claim form for audit and common grants management risks, including monitoring of ‘third party expenditure’. The quality of files provided was generally satisfactory but improvements can be made which could facilitate smoother audits and reduce the audit cost to the Council.
6. Revised grants management procedures are being introduced by the Council, including the collation and maintenance of a ‘Grants Database’ which records all grants received, irrespective of whether they need and audit certificate. This will also include key information such as the submission dates officers need to adhere to. Management of the submission process under the ‘*Joint Protocol on Grants Management*’ that we are developing with the Council should also ensure that officers are fully aware of grants submission dates and that appropriate checks are carried out, as well as all mandated entries on a claim form have been completed.
7. The Council was late submitting 5 out of the 20 claims, or 25 per cent – this is an improvement in performance from 2012-13 when 6 out of 37 claims were submitted late. Of these 5 claims, 2 were 1 day late only. Moreover, none of the 3 remaining claims were significantly late and were received within 1 calendar month of the set submission deadline. In all three cases, we were fully aware of the reasons

---

causing the delay – with the EYC02 claim, we had noted it had been completed on time but was missing some information so a revised claim form was submitted for audit on 28 October, some 28 days late. The remaining two HLG03 claims were each 21 days late due to the requirement to submit for audit having not being communicated to the officers responsible for collating the claims.

8. Claims requiring amendment decreased from 16 in 2012-13 to 13 in 2013-14. However, this represents a considerably larger proportion of the population of audited claims - 65%, which is an increase from 43%. The decrease in the number of Communities First claims has directly contributed to this, and in reality the number of amendments remains stable.
9. The number of 'qualified' claims decreased from 12 in 2012-13 to 6 in 2013-14. 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. Details of the 6 qualifications and 13 amendments made to claims are contained in the body of the report between pages 7 and 18 and form the main basis of our recommendations between pages 19 and 23.
10. Two of the 13 amendments were significant, being over £10,000 in value. However, the £351,004 decrease to the TRA23 balance relates to the 'adding in' of funding received after the year-end but before the date the claim was signed by the Council's Head of Finance and therefore affected the accuracy of the balance being reclaimed from the Welsh Government. Paragraph 19 of the TRA23 Certification Instruction covered this requirement. The second significant adjustment was a £18,121 reduction to the EYC01 balance relating to, firstly incorrectly claiming for a number of accrued purchase orders at year-end which should have been removed as not payable, and secondly an isolated discrepancy between an accrued SLA payment and the actual payment made after year-end.
11. We acknowledge the Council's assistance and co-operation during the audit and will continue to work with Council officers to develop our protocol and working arrangements for the 2014-15 audits.
12. Detailed on the following page is a summary of the key outcomes from our certification work on the Council'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.

---

**Key information for 2013-14**

**Overall, we certified 20 grants and returns (37 in 2012-13):**

6 grant claims were unqualified with no amendment (13 in 2012-13)

13 grant claims required amendments (16 in 2012-13)

6 grant claims required a qualification to our audit certificate (12 in 2012-13)

We have not been required to issue any separate reports due to significant issues (same in 2012-13)

# Audit Findings

Ref – Para	CI Ref	Grants and returns	Claim due	Claim received	Late	Testing level	Qualified certificate	Qualified value	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)	Unqualified/un-amended grant claim
1	BEN01	Housing and Council Tax Benefits	30/04/14	28/04/14	No	Various	1	Not quantifiable		£35	
2	EDU15	Schools Effectiveness Grant	Ref:2	Ref:2	N/A	N/A					1
3	EDU43	Learning Pathways	Ref:2	Ref:2	N/A	N/A					1
4	EDU44	Welsh in Education Grant	Ref:2	Ref:2	N/A	N/A					1
5	EUR01	Pill Regeneration Initiative	22/04/14	23/04/14	No	20%	1	Not quantifiable		£7,454	
6	EYC01	Flying Start	30/09/14	29/09/14	No	10%	1	Not quantifiable	£-18,121		
7	EYC02	Flying Start (Capital)	30/09/14	28/10/14	Yes	10%	1	Not quantifiable		£0	
8	EYC14	Families First	30/09/14	01/10/14	Yes	10%				£0	
9	HC02	Substance Misuse Action Plan Fund	30/09/14	30/09/14	No	25%	1	Quantified, £-2,449,916		£0	
10	HLG03	s28A Learning Disabilities	30/09/14	20/10/14	Yes	10%					1
11	HLG03	s28A Frail Older Adults	30/09/14	20/10/14	Yes	10%					1

Ref – Para	CI Ref	Grants and returns	Claim due	Claim received	Late	Testing level	Qualified certificate	Qualified value	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)	Unqualified/un-amended grant claim
12	LA01	NNDR Final Contributions	30/05/14	27/05/14	No	10%	1	Quantified, £-705,572			
13	LA12	Sustainable Waste Management	30/09/14	24/09/14	No	10%					1
14	PEN05	Teachers Pensions	30/06/14	19/06/14	No	25%				£0	
15	RG03	Communities First – West Cluster	Ref 10	29/08/14	N/A	25%				£-3,589	
16	RG03	Communities First – North Cluster	Ref 11	29/08/14	N/A	25%				£-2,370	
17	RG03	Communities First – East Cluster	Ref 12	29/08/14	N/A	25%				£-6,708	
18	RG03	Communities First – Central Cluster	Ref 13	29/08/14	N/A	25%				£-3,150	
19	SOC07	Social Care Workforce Development Programme	28/09/13	23/09/13	No	10%				£0	
20	TRA23	Free Concessionary Travel	30/09/13	15/10/13	-	25%			£-351,004		
<b>TOTAL QUALIFICATIONS AND AMENDMENTS</b>							<b>6</b>	<b>£-3,155,488</b>	<b>£-369,125</b>	<b>£-8,328</b>	<b>6</b>

13. This table overleaf summarises the key issues behind each of the adjustments or qualifications that were identified above.



Ref	Summary observations	Qualification	Amendment
1	<p><b>Housing Benefit and Council Tax Subsidy (BEN01)</b></p> <ul style="list-style-type: none"> <li>• The Council claimed subsidy of £57,400,243 (previous year £67,356,988). A small number of amendments were made to individual cells which resulted in a slightly increased subsidy. All errors identified during the audit were corrected prior to final certification of an amended claim form.</li> <li>• Amendments made to the cell entries and subsidy claimed related to the following issues: <ul style="list-style-type: none"> <li>– Correction of HRA Rent Rebate data extracted from the system subsidy report, claim form had recorded zero subsidy when in fact the accurate disclosure was negative subsidy figures representing a correction to subsidy awards and corrections processed in previous years. The benefits relate to a handful of cases and represent the tailing off of legacy benefit corrections pre-LSVT of HRA housing stock.</li> </ul> </li> <li>• We were required to issue a qualification letter covering two issues identified on the claim. <ul style="list-style-type: none"> <li>– Within our initial sample of Rent Allowance claims, we identified one claim (claimant 900928998) whose Rent Allowance calculation included a weekly amount of Working Family Tax Credit (WFTC). Review of supporting information held on file by Newport City Council failed to identify either a DWP notification or other documentation (e.g. bank statements) which validated that WFTC was actually received. Enquiries to Newport City Council officers identified that the basis of the calculation could not be supported, as evidence was missing from file.</li> <li>– As this was the only occasion where the initial sample calculations contained claimants in receipt of WFTC, we therefore extended the sample by a further 39 Rent Allowance cases to review that evidence was filed for the entitlement to WFTC, based on a population of 1,036 claimants in receipt of WFTC as at 1<sup>st</sup> April 2013. We have not found any other instances where the WFTC entitlement was not evidenced in the other 39 claims reviewed.</li> <li>– We have not extrapolated an error rate on the population, given that it covers a variety of claimants whose benefit falls into different Cells within the range Cell 95 to Cell 109, with varying subsidy rates applied. We also view this as an instance of missing documentation failing to support the benefit paid as opposed to ineligible benefit - there is no evidence that WFTC was ever received by the claimant, but equally there is no evidence that WFTC was never received</li> </ul> </li> </ul>	Not Quantifiable	£35

---

Ref	Summary observations	Qualification	Amendment
2	<p><b>Schools Effectiveness (EDU15)</b>  <b>Learning Pathways (EDU43)</b>  <b>Welsh in Education (EDU44)</b></p> <ul style="list-style-type: none"> <li>All three claims have been subject to a different audit methodology given that Torfaen CC are acting as lead Council for banking and distributing the grants receivable from Welsh Government. The audit undertaken on Newport CC records was limited to confirming that the claim form reconciled to an audit trail down to transaction level, with the audit testing then being undertaken by the auditors of Torfaen CC.</li> </ul>	N/A	N/A

Ref	Summary observations	Qualification	Amendment
3	<p><b>European Regional Development Plan – Pill Regeneration Initiative (EUR01)</b></p> <ul style="list-style-type: none"> <li>• Issues on internal controls reported in the Accountants report included: <ul style="list-style-type: none"> <li>– The Council has addressed issues identified on the previous audit and although the Council has attempted to provide a clearer audit trail between the Ledger, Transaction List and the Claim Form, a complete reconciliation was not done until after the final combined third and fourth quarter claim was submitted to WEFO. As a result of this a number of items were identified which had been omitted from the transaction listing and subsequently from the claim form, valued at £7,222.40.</li> </ul> </li> <li>• A number of amendments were reported in the Accountants report to be actioned by the Welsh European Funding Office (WEFO), which included: <ul style="list-style-type: none"> <li>– As noted above, understatement of £7,222.40 of eligible expenditure, identified as initially omitted due to weaknesses in the audit trail</li> <li>– Further understatement of £231.94 identified due to error made in calculating the correct apportionment of staff costs to claim in the final combined third and fourth quarter claim</li> <li>– Overstatement of match funding believed to have been received but not actually paid over, value £500.00</li> <li>– Recognition of Ineligible match funding of £179,059.53 as Eligible match funding, albeit Gross Match Funding received of £200,000 was correct and the error relates to the analysis of this amount.</li> </ul> </li> <li>• We additionally reported that two issues raised in the previous Accountants Report covering the 2012-13 audit had not been actioned by the Welsh European Funding Office (WEFO). The net impact of both is to understate cumulative eligible expenditure by £22,994.44 and recognise a corresponding value within the cumulative ineligible expenditure. The Accountants Report to WEFO provided a clear explanation of the issue, but we understand no action will be taken and the cumulative position will remain incorrect.</li> </ul>	Not Quantifiable	-

Ref	Summary observations	Qualification	Amendment
4	<p><b>Flying Start (EYC01)</b></p> <ul style="list-style-type: none"> <li>• Claim amended due to the following issues <ul style="list-style-type: none"> <li>– Actual eligible expenditure was overstated compared with the accrual made. The remaining SLA contract value of £97,829.47 for ABUHB was manually accrued within the claim. However, the invoice actually received and paid was for £91,545, so £6,284.47 reduction made to the claim.</li> <li>– The claim accrued a number of purchase orders as supplementary creditors at year-end which should have been removed as not payable, i.e. there was no corresponding expenditure within the period. Review of the ledger identified claimed expenditure of £11,837 that in reality did not relate to accrued costs being claimed.</li> </ul> </li> <li>• Claim qualified due to the following issues: <ul style="list-style-type: none"> <li>– Test 4 of certification instruction EYC01 (6-14) requires the auditor to consider the following, “<i>Do entries on the statement, table of funding streams and supporting working papers reconcile to the Council’s accounts or data for the statement period?</i>”. We have not been able to validate the split of total actual eligible expenditure across the nine projects declared on the claim form. The analysis originally performed had not been retained nor could be reproduced by officers</li> <li>– Test 9 requires the auditor to consider the following, “<i>Are contracts in the claim awarded in accordance with standing orders?</i>” An SLA for the 2013-14 Speech and Language Therapy Services (SALT) with Aneurin Bevan University Health Board (ABUHB) had been entered into during the claim period. We have not been provided with evidence of Head of Service approval via an Excepted Contracts Form for this contract. Consequently, we are unable to definitively state whether the contract has been awarded in accordance with Standing Orders.</li> <li>– Test 11 requires the auditor to ensure that all virements have been made in accordance with the Welsh Government’s terms and conditions, including prior written approval. We have been informed that the movements between the original allocations and final allocations stated on the claim form were implicitly communicated to the Welsh Government in formal termly returns throughout 2013-14. Moreover, officers within the Council have stated that they contacted the Welsh Government via e-mail to request approval of these virements in a revised allocation letter. Unfortunately, we have not been provided with evidence of this request. Similarly, we have not been provided with any evidence that any movements between projects were explicitly agreed by the Welsh Government.</li> </ul> </li> </ul>	Not Quantifiable	-£18,121

Ref	Summary observations	Qualification	Amendment
5	<p><b>Flying Start Capital (EYC02)</b></p> <ul style="list-style-type: none"> <li>• Claim amended due to the following issue: <ul style="list-style-type: none"> <li>– Total expenditure for substitute schemes (NCC reserves) amended to £236,679 from the £165,062 originally stated by NCC which was in fact a capped expenditure amount. Having consulted the Certification Instruction, no reference was identified to restricting the expenditure to the cap relating to grant received. Therefore, it was assumed that it should be the total expenditure amount on the Flying Start Capital Programme and amendment was made accordingly. No impact on the bottom line.</li> </ul> </li> <li>• Claim qualified due to the following issues: <ul style="list-style-type: none"> <li>– Test eight of certification instruction EYC02 (6-14) requires us to consider the following, “<i>Are contracts in the claim awarded in accordance with standing orders?</i>”</li> <li>– Signed contract documents were not made available to us for the works carried out at Monnow School (contract sum of £381,770 as per instruction order) or East Newport, Moorland Park (contract sum of £89,827 as per instruction order sent to contractor). This represents a breach of the Council’s Contract Standing Order No. 20 which states that the award of tenders/quotations must take place in the form of a contract document: “<i>For all Procurements valued at above £25,000, the decision to award a Contract shall be made using the Council’s pro forma Contract Award report unless the decision is to be made by a Corporate Director or Cabinet Member/Cabinet in which case the Council’s standard reporting forms for such decisions shall be used.</i>”</li> <li>– For the three remaining contracts (covering works undertaken at Somerton and Ringland Primaries, Carnegie Library and Millbrook and Malpas Court Primaries respectively), we were unable to view evidence of the Council’s approval of the terms of the contract. The relevant page of the contract where the Seal of the Council would have been placed has been sent to the contractors, with no copy retained on Council files. Consequently, we cannot confirm that the contracts have been awarded in accordance with the Council’s Contract Standing Order No. 24 which requires that: “<i>Every Contract in writing that exceeds £100,000 in value or amount shall be made under the Seal of the Council</i>”.</li> <li>– In addition - we note that the dates given for the commencement of works per instruction orders sent out to contractors preceded the dates on which the contracts were signed. Officers within the Council have responded that were this not to be the case, they would require longer mobilisation periods in order to utilise the funding provided inside the claim period ending 31 March 2014.</li> </ul> </li> </ul>	Not Quantifiable	-

---

Ref	Summary observations	Qualification	Amendment
6	<p><b>Families First (EYC14)</b></p> <ul style="list-style-type: none"> <li>• Claim amended due to the following issue:               <ul style="list-style-type: none"> <li>– Total approved allocation recorded on the claim form did not agree to supporting information covering the approval of every project within the claim, overstated by £1.90. The pre-populated claim allocation recorded by Welsh Government was not supported by the details of each project. Therefore, amended to record the exact allocation approved on each project. This had no impact on the bottom line balance on the claim</li> </ul> </li> </ul>	N/A	-

Ref	Summary observations	Qualification	Amendment
7	<p><b>Substance Misuse Action Plan Fund (HC02)</b></p> <ul style="list-style-type: none"> <li>• Claim amended due to the following issue: <ul style="list-style-type: none"> <li>– Casting and cross-casting of claim form identified discrepancies on two lines, both corrected with no impact on bottom line balance</li> </ul> </li> <li>• Claim qualified due to the following issue: <ul style="list-style-type: none"> <li>– Test 5 of certification instruction HC02 requires us to ensure that “<i>entries on the statement relating to transactions made by third parties agree to supporting records or independently certified statements and that this supporting evidence provides assurance that the grant was used for the purposes for which it was given</i>”. In addition, we are required by Test 8a) of the same CI to provide assurance via testing of prime documents that “<i>only eligible expenditure in respect of the approved plan is included</i>”. Our sample testing of expenditure incurred identified quarterly claims for reimbursement by the other Gwent local authorities for expenditure incurred under the arrangements operated by Newport City Council as banker for the Gwent Substance Misuse Area. The results of our testing did not find any issues on the documented audit trail for expenditure incurred directly by Newport City Council and also for Blaenau Gwent County Borough Council, where the quarterly claims were backed by invoices and the activities cited on the invoices agreed to the Gwent area Substance Misuse Action Plan. However, the quarterly expenditure claimed by the Caerphilly and Monmouthshire / Torfaen areas is supported only by an overall quarterly claim backed by summary expenditure reports analysed at project level but not supported by copy invoices or alternative documentation indicating the claim is accurate and complete. We have therefore been unable to validate whether the expenditure incurred is correctly accounted for against the correct project or indeed was eligible under the terms and conditions of the projects per the local Substance Misuse Action Plan.</li> <li>– We recognise that Newport City Council officials made efforts to seek more extensive documentation during the 2013-14 financial year, but this did not result in any further detailed analysis down to transaction level or invoices being provided. The expenditure claimed in relation to the four quarterly claims made by Caerphilly and Monmouth / Torfaen totals £2,449,916 out of total eligible expenditure claimed of £4,405,990.97, approximately 56% of the total claim by value.</li> </ul> </li> </ul>	Quantified - £2,449,916	-

Ref	Summary observations	Qualification	Amendment
8	<p><b>NNDR Final Contribution Return (LA01)</b></p> <ul style="list-style-type: none"> <li>• Claim qualified due to the following issue: <ul style="list-style-type: none"> <li>– Lines 9 and 10 to the return disclose reductions made to NDR under S44a (partly occupied premises) for the current year and for previous years respectively. Sample testing of these lines identified the following reductions: <ul style="list-style-type: none"> <li>○ Line 9 – Scottish Power, acct 11254956, £187,634.42</li> <li>○ Line 9 – UBS Triton, acct 11309218, £7,287.28</li> <li>○ Line 10 – Severn Power, acct 1131882, £510,651.02</li> </ul> </li> <li>– In all three cases, the occupiers notified Newport City Council that parts of the sites they were responsible for paying NDR on had become unoccupied for part of the financial year. Ordinarily, Newport City Council would then request new certificates from the valuation office to apportion the rateable value between the revised occupied and unoccupied areas. Old certificates from 2012 were used instead, which were only valid for 1 year and therefore were technically not valid when used for calculating the partly occupied relief applicable to the 2013-14 financial year.</li> <li>– Therefore the relief was granted for these 3 cases without valid apportionments of occupied areas. However we understand from officers that the partly occupied relief calculated using the old occupied areas would not have altered had a new certificate been obtained, based on the companies' occupations, and the reduction in NDR under S44 is therefore accurate.</li> <li>– We undertook a full check on all S44 reductions to make sure that there were valid certificates in place, and determined the three instances noted above are the only reductions where a new certificate should have been obtained.</li> </ul> </li> </ul>	Quantified - £705,572	-



Ref	Summary observations	Qualification	Amendment
9	<p><b>Teachers Pensions Return (PEN05)</b></p> <ul style="list-style-type: none"> <li>Claim amended for following issue: <ul style="list-style-type: none"> <li>Section 3 of the return gives an analysis of contributions by Tier. Discrepancies were identified within the Tiers when re-calculated using the contributory salaries disclosed, noting that the deductions disclosed did not match the expected rates in Tiers 1, 5 and 6 of 6.4%, 9.2% and 10.1% respectively. Testing of all deductions concluded that the individual pensions deductions were correct throughout, but the monthly salary information had not been consistently split correctly. The correct information was obtained and Section 3 amended. No impact on the bottom line balance.</li> </ul> </li> </ul>	N/A	£0
10	<p><b>Communities First – West Cluster (RG03)</b></p> <ul style="list-style-type: none"> <li>Assorted amendments made to recalculate eligible staff costs, removal of 14-15 costs incorrectly claimed, recalculate management costs, action proposed amendments picked up by the Council 's own preliminary review and amend audit costs from the initial estimate to an actual</li> </ul>	N/A	£-3,589
11	<p><b>Communities First – North Cluster (RG03)</b></p> <ul style="list-style-type: none"> <li>Assorted amendments made to recalculate management costs and amend audit costs from the initial estimate to an actual</li> </ul>	N/A	£-2,370
12	<p><b>Communities First – East Cluster (RG03)</b></p> <ul style="list-style-type: none"> <li>Assorted amendments made to remove ineligible spend on a project not covered by the Communities First agreement, recalculate management costs and amend audit costs from the initial estimate to an actual</li> </ul>	N/A	£-6,708
13	<p><b>Communities First – Central Cluster (RG03)</b></p> <ul style="list-style-type: none"> <li>Assorted amendments made to recalculate management costs and amend audit costs from the initial estimate to an actual</li> </ul>	N/A	£-3,150

Ref	Summary observations	Qualification	Amendment
14	<p><b>Social Care Workforce Development Programme (SOC07)</b></p> <ul style="list-style-type: none"> <li>Claim amended for following issue: <ul style="list-style-type: none"> <li>The claim accrued a number of purchase orders as supplementary creditors at year-end which should have been removed as not payable, i.e. there was no corresponding expenditure within the period. As expenditure is capped to the approved grant on the claim form, additional eligible expenditure was identified to replace the ineligible expenditure affected. However, as this related to Training, the specific claim disclosure covering the value and percentage of total eligible spend on Training needed amendment</li> </ul> </li> </ul>	N/A	£0
15	<p><b>Regional Transport Consortia Grant (TRA23)</b></p> <ul style="list-style-type: none"> <li>Claim amended for following issue: <ul style="list-style-type: none"> <li>Paragraph 19 to certification instruction TRA23 (7-14) explicitly requires the total of Lines 4a to 4d to be the total grant paid to the Council for the period, received up to the date of the CFO certificate. Entries in lines 4a to 4d of the Annual Return corresponded to Q1 to Q3 grant payments received in 2013-14 (£2,404,719.02) but omitted the Q4 grant claims made for Jan/ Feb and March 14 respectively. This amounted to a further receipt of £351,004.49 which reduced on the bottom line balance owed to the Council after an appropriate amendment was made.</li> </ul> </li> <li>In addition, Test 11 to the CI requires auditors to report on the level of SmartCard data being used by operators to support their claims. In particular: <ul style="list-style-type: none"> <li>The overall percentage of data being provided by the SmartCard system</li> <li>A breakdown by operator of what percentage of data is provided via the SmartCard system</li> <li>Any instances of where the source of the data cannot be verified.</li> </ul> <p>As two of the seven operators do not have SmartCard readers fitted to their buses, we have had to report that their percentage of smartcard data must necessarily be zero for both these operators. As this is a specified report required under the CI to provide information to the grant-paying department within the Welsh Government, we do not regard this as a qualification.</p> </li> </ul>	N/A	£-351,004
<b>Total effect of amendments to the Council</b>		<b>£-3,155,488</b>	<b>£-384,908</b>

# Recommendations

---

14. 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

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.

## Priority 2

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.

## Priority 3

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
<p>A number of claims include expenditure incurred by third party partners and reimbursed by the Council before being included in the annual claim. It was noted that insufficient monitoring to prove eligibility of expenditure incurred by these third parties was being undertaken, resulting in one significant qualification.</p>	<ul style="list-style-type: none"> <li>Grant claims may be qualified for lack of evidence collated by the Council proving all expenditure claimed is eligible under terms and conditions of grant</li> <li>In worst case scenario, grant could be clawed back from the Authority relating to this unsubstantiated third party expenditure</li> </ul>	<p>R1 Council officers should ensure that they have sufficient monitoring mechanisms in place to validate expenditure incurred by third party partners and then included in the Authority's claim.</p> <p>[ NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]</p>	<p>1</p>		<p>Grants Co-ordinator(s)</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer
<p>A number of errors were noted in completing various claim forms, which required amendment and could have been avoided by careful checking against instructions on claim completion. These amendments included changes to supporting disclosure with no impact on the bottom line balance, but also included one significant amendment to the balance of grant claimed.</p>	<ul style="list-style-type: none"> <li>• Number of amendments made could be reduced by a more robust check to ensure all disclosures on claims have been properly made.</li> <li>• If no amendments were agreed, qualification would become necessary</li> </ul>	<p>R2 Review by officers prior to the claim being signed by the Chief Financial Officer or delegates should be improved to ensure that claims are completed accurately. The significance of completing both the Grants Completion Checklist and a supporting working paper file to prove all disclosures are accurate should be highlighted.</p> <p>[ NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]</p>	<p>2</p>		<p>Grants Co-ordinator(s)</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer
<p>Accrued expenditure was claimed on a number of claims comprising extant purchase orders accrued as supplementary creditors at year-end which should have been removed as not payable, i.e. there was no corresponding expenditure within the period and no defrayment after year-end.</p> <p>The year-end exercise by the Council to sanitise the supplementary creditor and remove all non-payable costs was not consistently performed</p>	<ul style="list-style-type: none"> <li>Amendments were necessary to correct the claimed expenditure, and in one claim to identify substitute eligible expenditure</li> <li>If no amendments were agreed, qualification would become necessary</li> </ul>	<p>R3 The Council exercise to ensure the accruals made at year-end relate purely to valid expenditure that remains payable should be reviewed and performed consistently by all officers</p> <p>[ NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]</p>	<p>2</p>		<p>Grants Co-ordinator(s)</p>

---

Issue	Implication	Recommendation	Priority	Comment	Responsible officer
<p>Testing of contract awards covering expenditure incurred on a number of claims determined that proving compliance with the Council's Contract Standing Orders was difficult</p>	<ul style="list-style-type: none"> <li>Grant claims may be qualified for lack of evidence collated by the Council proving all expenditure incurred under contract related to contracts awarded properly in accordance with Standing Orders</li> <li>In worst case scenario, grant could be clawed back from the Council relating to this contract expenditure</li> </ul>	<p>R4 Authority officers should ensure they can prove compliance with the Council's Contract Standing Orders for all contracts awarded under which expenditure is incurred [ NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]</p>	<p>2</p>		<p>Grants Co-ordinator(s)</p>

# Fees

15. Our overall fee for the certification of grants and returns has decreased compared to the 2012-13 fees. There was a decrease in the number of grant certifications undertaken, mainly due to changes to the Communities First regime and the significant reduction in claims requiring audit, combined with the complete removal of two audits and a reduction in the local audit work required on three other claims. Beyond a simple quantum of claim numbers, there are a number of other factors to account for. The audits of some grant claims were completed quicker than in previous years and with either a lower number of issues identified or with swifter resolution of the issues arising. Conversely, there have been increases in costs incurred on the audit of a number of grant claims, partially due to the nature of the issues identified and their resolution, and partially due to employing a richer skill mix of staff at higher charge-out rates to conclude audits. The latter also contributes to the reduction in grants management and review time charged, as more time was spent working directly on audits leading up to their certification.

Breakdown of fee by grant/return	2013-14	2012-13
Housing and Council Tax Benefits (BEN01)	28,335	30,606
Schools Effectiveness Grant (EDU15) – <i>limited audit required in 2013-14</i>	318	4,554
Learning Pathways (EDU43) – <i>limited audit required in 2013-14</i>	262	2,607
Welsh in Education Grant (EDU44) – <i>limited audit required in 2013-14</i>	262	4,059
European Structural Funds (EUR01)	4,102	6,105
Flying Start (EYC01)	5,236	2,343
Flying Start Capital (EYC02) – <i>new in 2013-14</i>	4,564	0
Families First (EYC14)	3,258	1,683
Substance Misuse Action Plan Fund (HC02)	2,141	2,838
Mental handicap and illness strategy (HC03) – <i>no audit required 2013-14</i>	0	2,013
S.28A Grants (HLG03) – <i>decrease from 4 in 2012-13 to 2 in 2013-14</i>	1,813	2,376



<b>Breakdown of fee by grant/return</b>	<b>2013-14</b>	<b>2012-13</b>
NNDR Final Contributions (LA01)	4,641	3,383
Sustainable Waste Management (LA12)	1,647	2,145
Teachers Pensions (PEN05)	3,935	3,300
Communities First Grants (RG01 / RG02) - <i>decrease from 17 in 2012-13 to 4 in 2013/14</i>	9,575	18,315
Social Care Workforce Dev Programme (SOC07)	3,436	2,112
Regional Transport Grant (TRA16) – <i>no audit required 2013-14</i>	0	1,155
Free Concessionary Travel (TRA23)	2,467	1,881
Grant Planning, Management + Review	7,037	15,644
<b>Total fee</b>	<b>£83,029</b>	<b>£106,228</b>



WALES AUDIT OFFICE  

---

SWYDDFA ARCHWILIO CYMRU

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@wao.gov.uk](mailto:info@wao.gov.uk)

Website: [www.wao.gov.uk](http://www.wao.gov.uk)