

ISLE OF ANGLESEY COUNTY COUNCIL

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| COMMITTEE: | AUDIT AND GOVERNANCE COMMITTEE |
| DATE: | 15 MARCH 2016 |
| TITLE OF REPORT: | AUDIT OF GRANTS |
| PURPOSE OF REPORT: | FOR INFORMATION |
| REPORT BY: | MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER |
| ACTION: | FOR INFORMATION |

1. INTRODUCTION

- 1.1 The report sets out the details of the grants requiring Internal Audit certification and which require External Audit review and provides details of the work Internal Audit is required to undertake in order for the grant to be certified.

2. BACKGROUND

- 2.1 There are numerous grants which come into the Authority each year from a number of different funding bodies. A diminishing number of these grants require an External Audit. The number has decreased from 22 in 2013/14 to 15 in 2014/15. The decreasing numbers reflect not only the fact that some grant funding has come to an end but also the fact that fewer grants require an External Audit.
- 2.2 The Welsh Government (WG) are seeking to simplify the audit of grants and are placing greater emphasis on Internal Audit certifying expenditure.

3. GRANT AUDIT PROGRAMME

- 3.1 In the majority of cases the grants are submitted for external audit in the 6 months following the end of the financial year. The audit work is then completed between September and December of that year.
- 3.2 Appendix 1 shows the list of 2014/15 grants that were submitted for audit during 2015/16.
- 3.3 The scope of the audit work across the grants is very similar. As a general rule auditors will test:-
- A sample of around 20 invoices to ensure that VAT has been treated correctly in the ledger and the claim;
 - The invoices for dates and goods/services provided to ensure that only eligible expenditure within the period is included in the claim. In the case of European funding defrayment of the expenditure from the bank account also has to be demonstrated through the bank statements;
 - Internal recharges to ensure that the Authority charges a grant funded project at the same rate as other none grant funded projects;
 - The Asset Register if the grant has either created or improved a capital asset to ensure the correct adjustment has been made;
 - Income received traced from the remittances to the bank statements;

- Budget virements and whether prior approvals from the funding body are required and in place;
 - Evidence of monitoring third party expenditure;
 - Evidence of Third Party Contracts/Service Level Agreements being in place;
 - Verification of hourly rates for staff relating back to timesheets and actual payroll costs incurred;
 - Verification of the procurement process ensuring compliance with the Authority's Standing Orders;
 - Reconciliation of the total expenditure incurred to the ledger;
 - The control environment for the compilation of the claim and the experience of the staff involved;
 - Potential duplication of expenditure with other grant funded schemes.
 - Any grant specific conditions.
- 3.4** Historically a grant audit has taken about a week to complete the testing providing all information can be provided to the auditor in a timely manner but the time required to complete an audit can vary between grants depending on the complexity of the grant, the number and type of transactions involved and the standard of the working papers.
- 3.5** The grant terms and conditions in the Offer Letter will state whether a grant is subject to External Audit however there were some changes during 2015/16 following discussions between the Wales Audit Office (WAO) and WG which resulted in some of the 2014/15 grants being transferred from External Audit to an Internal Audit requirement during the 2015/16 audit year. This decision took place after the approval of the Internal Audit plan for 2015/16 and as a result the additional grant work was classified as unplanned work during 2015/16. The 2016/17 Internal Audit plan takes account of this additional work and as a result grant certification work will be classed as planned work from here on.
- 3.6** These grants included 14-19 Learning Pathways, Schools Effectiveness Grant (SEG) and Welsh in Education Grant, all of which were subject to External Audit the previous year. The changes were implemented as a transition to the Education Improvement Grant (EIG) which merged 11 former education related grants into a single grant which was introduced in 2015/16. The change was confirmed to the Authority in June 2015 with work to be completed by Internal Audit by December.
- 3.7** The 14–19 Learning Pathways grant and the Schools Effectiveness Grant (SEG) were complex grants which required sampling transactions from a number of schools, which included timesheet records. The standard of record keeping varied from school to school and this combined with the fact that it was the first time these grants had been audited by Internal Audit, increased the time required to complete the audits to the required standard.
- 3.8** The 2015/16 audit of the EIG is included in the Audit Plan going forward.
- 3.9** The 2015/16 Grant Audit Programme with the new External Auditors will be agreed over the coming months.

APPENDIX 1

Indicates late and/or qualified claims

| 2014/15 Grants | Audit Deadline | Achieved | Qualified | Internal or External Audit in 2015/16 |
|--------------------------------------------------------------------------------------------|----------------|----------|-----------|---------------------------------------|
| Social Care Workforce Development Programme | 29.01.16 | 21.12.15 | N | External |
| Communities First Core | 31.12.15 | 27.11.15 | N | External |
| Families First | 31.12.15 | 21.12.15 | N | External |
| Flying Start Revenue | 31.12.15 | 21.12.15 | N | External |
| Flying Start Capital | 31.12.15 | 21.12.15 | N | Ended |
| Sustainable Waste Management (Environment and Sustainable Development Grant going forward) | 31.12.15 | 21.12.15 | N | External |
| Local Transport Fund | 31.12.15 | 21.12.15 | N | External |
| Free Concessionary Travel | 31.12.15 | 21.12.15 | N | External |
| Non Domestic Rates | 27.11.15 | 15.12.15 | N | External |
| Teachers' Pension Return | 30.11.15 | 15.12.15 | Y | External |
| Housing Revenue Account Subsidy | 31.12.15 | 20.01.16 | N | N/A |
| Housing and Council Tax Benefit Subsidy | 30.11.15 | Ongoing | | External |
| Anglesey Coastal Convergence Final 30.06.15 | 11.08.15 | 11.08.15 | Y | Ended |
| Strategic Sites and Premises Final 30.06.15 | 11.08.15 | 10.08.15 | N | Ended |
| Local Investment Fund Convergence Final 30.06.15 | 11.08.15 | 18.08.15 | Y | Ended |
| Pupil Deprivation Grant | 31.12.15 | 04.09.15 | N | Internal |
| * 14-19 Learning Pathways | 31.12.15 | 18.11.15 | N | Internal |
| * Welsh in Education Grant (WEG) | 30.10.15 | 24.09.15 | N | Internal |
| * Schools Effectiveness Grant (SEG) | 30.10.15 | 30.09.15 | N | Internal |
| ESF Local Service Board | 15.05.15 | 12.05.15 | N | Ended |

* 14-19, WEG and SEG merged into the Education Improvement Grant in 2015/16