

<b>COMMITTEE:</b>	Audit Committee
<b>DATE:</b>	7th November 2014
<b>REPORT TITLE:</b>	PWC Grants Audit Report 2012/13 Response
<b>PORTFOLIO HOLDER:</b>	Councillor H E Jones
<b>LEAD OFFICER:</b>	Richard Micklewright
<b>CONTACT:</b>	Jenny Whiston
<b>PURPOSE OF THE REPORT:</b>	To respond to issues raised in the PWC Annual Grant Audit Report 12-13

## **1.0 Background**

- 1.1 The Council's external auditors, PWC, are required to report annually on the certification of grant claims and returns.
- 1.3 In total 38 grant claims were certified with a value of £87,442,975.73 with post audit adjustments of £207,937. This was a correction rate of 0.24%.
- 1.4 Whilst 61% of the grant claims were certified, which is higher than the Wales average, there were very few significant findings reported with the exception of Housing Benefit and Council Tax and the Schools Effectiveness Grant.

## **2.0 Considerations**

- 2.1 The observations made by PWC as detailed on pages 11-17 of their report have been considered in detail and further information has been provided in Appendix 1 to inform Members of the issues, including greater detail on matters that were of concern, how they occurred, the financial implications, and where within the Authority they occurred.
- 2.2 The recommendations by PWC have been welcomed and an Action Plan has been put in place to implement the recommendations which includes:
- Issuing of new Grant Instructions as shown in Appendix 2 to all Finance staff dealing with Grants which will provide clear instruction on compilation, review and certification of grant claims.
  - Following up specific audit issues with Project Managers and providing support in the implementation of third party monitoring systems if required.
  - Reviewing ledger structures for grant funded projects to ensure that classification codes, where appropriate, are used to identify specific expenditure.

- Issuing a new Document Retention Policy shown in Appendix 3 which will ensure that all original documentation in relation to European Funded projects is separated from the main Finance archiving system and retained within secure Grants storage until the appropriate disposal date.
- Provision of a Grant Acceptance Checklist shown in Appendix 4 which will ensure that all Grant Offers are signed off by both the grant receiving Service and the Section 151 Officer so that a copy of all Grant Terms and Conditions can be held within Finance. The Grant Acceptance Checklist is designed to capture a range of other information which will assist with the monitoring of grants.
- Provide Grants Training in conjunction with PWC for staff dealing with grants to reinforce compliance issues on an annual basis.
- Review the process for applying for funding to assess whether all applications for grant funding applications should be signed off by the Section 151 Officer prior to submission.

### **Recommendations**

Members of the Audit Committee are requested to:

Note the contents of the Report.

Ref	Grant Name	PWC Observation	Comment
1	Communities First – Amlwch Exit Strategy	Redundancy payments of £12,753.26 made were approved by WG and were defrayed in September 2013, outside the scope of the period being certified. Additional funding of £12,754 were received from WG in October 2013.	<p>The statement for audit covering October 12 to March 13 totalling £96,648 was submitted for audit in July 2013. WG did not approve the application for redundancy until August 2013. An additional claim for £12,753 had to be submitted for the redundancy funding and the statement amended to include the redundancy expenditure. Instruction from WG was to include it in the 12-13 statement even though it was not paid and received in 13-14.</p> <p>This grant has now ended.</p>
2	Communities First Central Office	<p>Removal of £12,512.06 included twice in error.</p> <p>Amendment of £349.68 in respect of correcting the allocation of total expenditure across each category.</p>	<p>£12,512.06 consultancy expenditure was incorporated into a salary budget line and a separate consultancy budget line on the claim form thereby overstating total expenditure; however this did not impact on the grant claimed. Some expenditure was included in the ‘Publicity &amp; Marketing’ budget line but when the sample was picked and the invoice was examined it was actually for translation. As there was a specific budget line for translation the expenditure had to be reclassified.</p> <p>This was a coding error in Finance ; however there were no financial implications, £44,338 grant was awarded and claimed.</p> <p>This grant has now ended.</p>
3	Communities First Morawelon & London Road Core	The Partnership was unable to provide an invoice for one item totalling £110.23.	A Direct Debit payment was made by the Morawelon & London Road Communities First Partnership to Southern Electric as part of their monthly payment plan. The Partnership was unable to find the actual bill. Total expenditure incurred under the grant was £111,356.

			<p>This was a Partnership error.</p> <p>This grant has now ended.</p>
4	Communities First Morawelon & London Road Non-Core	<p>One item of expenditure totalling £160 was found to be ineligible.</p> <p>There was an overstatement of £567.00 in the detailed listing of the Youth Worker costs provided by the Partnership</p>	<p>£160 was spent on Selection Boxes for the Children's Christmas Parties delivered under the Youth Programme. Whilst PWC felt this was nice to have it was not essential to the programme and they deemed it to be ineligible. WG however have not treated it as ineligible and have not reclaimed the funding.</p> <p>The Partnership accounts showed £1744.74 being paid for salaries but the backing paperwork showed £1177.74 so there was an input error in the accounts. There was no impact on the grant by removing the overstatement because the grant of £15,202 received didn't cover the full cost of the Youth Worker.</p> <p>This was a Partnership error.</p> <p>This grant has now ended.</p>
5	Communities First Tudur Ward	<p>One item of expenditure of £250 was incurred towards a Christmas Lunch for the volunteers of the Partnership. The allocation of total expenditure across each category was amended by £187.20</p>	<p>£250 was paid to the Bull. This was actually found to be a Christmas Lunch for the volunteers, although this was not apparent from the accounts until the full audit trail was in place. This was found to be ineligible by PWC. WG however have not treated is as ineligible and have not reclaimed the funding.</p> <p>£187.20 was entered into the wrong analysis column on the Partnerships accounts; Staff Travel instead of Staff Training. There was no impact on the grant but the form had to be amended.</p> <p>This was a Partnership error.</p> <p>This grant has now ended.</p>

6	NNDR	<p>A Rateable Value decrease notified by VOA had not been processed. It was noted that Management were in the process of reconciling the total RV per the VOA listing to the RV in Northgate.</p> <p>Errors noted with implementation of Mandatory Charitable Relief and Discretionary Top Up Relief.</p> <p>Applications for deferred payments had been received and approved but that was not reflected in the claim.</p> <p>An amendment was made to the claim relating to a manual adjustment posted re mandatory Community Amateur Sports Club Relief.</p>	<p>There was an omission to process a request which was notified on 25.4.2012.</p> <p>There was inconsistent treatment of a not for profit organisation with several properties, some of which were awarded charitable relief whilst another discretionary relief.</p> <p>Staff liaised with the VOA until the identified discrepancies had been ironed out. Schedules are worked on the day that they are received, so there are no longer any delays. Reconciliations are carried out once a month.</p> <p>These were Finance errors</p>
7	School Effectiveness Grant/Pupil Deprivation Grant 12-13	<p>Secondary school underspend identified of £634.77 not declared in claim.</p> <p>Council not able to provide evidence to validate that expenditure of £2613.60 incurred by a school had actually been defrayed.</p> <p>The amount of funding directly delegated to the school was £417,775 which is 56% not 75% which is the minimum threshold required by WG.</p> <p>The Council was not able to provide evidence that the</p>	<p>One of the schools was unable to provide full evidence of expenditure on PDG. An amount of £634.77 was included in their claim as expenditure but no evidence could be provided.</p> <p>A proposal for a programme costing £2613.60 was included in expenditure figures however the school was unable to provide an actual invoice and no evidence could be found on the ledger that this amount had actually been defrayed.</p> <p>The delegation level was not achieved because funding was paid directly by the Authority to Cynnal to deliver certain services to the schools e.g. training. The schools did not pay for these services directly themselves and so the funding was not delegated. This issue has since been discussed with WG and no follow up action is required by them.</p> <p>The spending plan was</p>

		<p>spending plan prepared and submitted to the WG for the grant has been reviewed and approved by WG.</p>	<p>submitted to WG but there was no evidence on file that it was actually approved. This may have been exacerbated by a number of staffing changes within Education. The WG Offer Letter did not refer to the spending plan specifically.</p> <p>The total value of the SEG and PDG programme was £1,413,152.</p> <p>The errors lay with both Finance and Education in the lack of monitoring of the schools expenditure.</p>
8	Teachers Pension Return	<p>The contributory salary figure has been calculated by grossing up the employer contributions as the payroll system used by the Authority is not capable of providing a contributory salary report to support the claim form.</p> <p>Two out of twenty teacher's contributions had been calculated using the incorrect tiered rates. Both instances relate to supply teachers whose full time equivalent salaries were based on time recorded on their timesheets.</p>	<p>The Northgate System is not currently capable of producing the contributory salary report.</p> <p>The incorrect rates were used for supply teachers.</p> <p>The error lay with Finance.</p>
9	Transitional SBIG – Ysgol y Bont	<p>Claim amended to remove ineligible expenditure incurred in 2011/12.</p>	<p>Some development work was undertaken in 11/12, the cost of which was included in the grant expenditure in 12/13. The Grant Offer was made and accepted in November 2011 however the grant profile was from April 2012. The Grant Offer was only provided by Education during the audit but no paperwork could be found to demonstrate that WG had agreed to the 11/12 expenditure being included. WG would have accepted the 11/12 expenditure as the Authority's match funding but would not pay grant against it.</p> <p>Of the £4,501,547 grant claimed</p>

			<p>only £4,471,242 could be deemed eligible resulting in £30,305 to be reclaimed by WG.</p> <p>The error lay with Education. Services should ensure that Finance always receive a copy of the Terms &amp; Conditions of the grant.</p>
10	Welsh in Education Grant	<p>Certification Instructions state that WEG is not to be used for the procurement of ICT or connectivity costs. Testing showed £2,937 which related to ICT equipment. This related to Outcomes 2 projects for which the Authority had £17,000 allocated. Incurred expenditure was £18,949.</p>	<p>IPads were purchased by a school as a learning resource and these were found to be ineligible. This could potentially result in a reclaim of £988 against a grant of £165,700.</p> <p>The error lay with the school in purchasing IT equipment.</p> <p>Schools have been requested to get approval from Education directly before they make an IT related purchase using any grant funding.</p>
11	Flying Start	<p>Amendment of £1,234 in respect of correcting the allocation of the total expenditure across each category.</p>	<p>£1,233.51 of costs relating to 'Staff Costs: Early Language Development (ELD)' was actually recorded as 'Staff Costs: Flying Start Core Team'. There are numerous staff who work on Flying Start and one months salary of an 'ELD' worker had been coded to 'Core Staff' in error.</p> <p>There were no financial implications on the grant. £632,777 grant was claimed.</p> <p>The error lay with Finance in the classification of expenditure on the ledger.</p>
12	Families First	<p>Absence of adequate third party monitoring procedures.</p>	<p>The former Families First Monitoring Officer took over the role of Gwynedd/Mon Programme Manager during 2012/13 under the new Partnership arrangements. The Monitoring Officer role remained vacant for most of the year resulting in no monitoring visits being undertaken to Partner</p>

		Amendment of £3,255 to remove ineligible expenditure incurred in 2013/14.	<p>Delivery Organisations.</p> <p>A 2012/13 creditor accrual was raised for training however on looking at the invoices when they were actually paid they related to training undertaken in 13/14 so they should not have been accrued for as the service had not been received. Eligible expenditure was reduced from £770,545 to £767,290 to take account of this.</p> <p>The error lay with the Partnership and has been acknowledged by management there. The Monitoring Officer post has since been filled and monitoring visits have been undertaken. Creditor accruals should not be requested where the goods or service have not been received.</p>
13	Substance Misuse Action Fund	Amendment of £553 in respect of correcting the allocation of the total expenditure across each category.	<p>£20K funding was ring-fenced for specific activity. The Authority incurred £20,553 and this was entered onto the Statement for Audit. The form had to be changed to reallocate the overspend to the generic grant funding There was no impact on the grant of £510,752</p> <p>They error lay with Finance in the completion of the form.</p>
14	Learning Disabilities Resettlement	<p>The Council was not able to provide a signed Service Level Agreement with a third party provider.</p> <p>The Council has apportioned staff costs for four members of staff to the grant. These costs are allocated on an estimation of time and not on a specific time allocation through the use of time sheets. The Council could not provide evidence to support the staff time apportioned.</p>	<p>Social Services had an ongoing Service Level Agreement in place for the Advocacy Service but a signed copy could not be provided.</p> <p>A proportion of four Social Worker salaries are apportioned to the grant with the same percentage rate being used year on year. The same issue was raised in 2011/12 and the Project Manager was told that the Social Workers should keep timesheets so that the apportionment could be evidenced. Social Services however, decided they would not</p>



			<p>keep timesheets.</p> <p>There were no financial implications as WG have never viewed the lack of timesheets as an issue. £976,481 grant was retained in full.</p> <p>The error lay with Social Services as apportionment of staff time should have been evidenced via a timesheet.</p> <p>This grant is no longer subject to external audit.</p>
15	Strategic Regeneration Areas – Property and Environment Grant (PEG) 11-12 & 12-13	Three of six schemes in 11/12 could not be identified in the Asset Register as projects have been included as part of larger schemes with no audit trail to show which schemes they have been included in.	<p>The Working Papers for the Asset Register in 11/12 did not allow for the tracking of individual small items of capital expenditure on PEG through to a specific item on the Asset Register.</p> <p>The Working Papers for the Asset Register were detailed in 12/13 and the same issue did not arise.</p> <p>The error lay with Finance in the compilation of working papers in support of the Asset Register.</p>
16	Regional Transport Consortia Grant	Authority able to provide evidence of the approved amount of grant funding provided to the Consortium but unable to provide evidence to support the allocations to each Authority therefore unable to agree the total allocation figure to the outturn statement.	<p>Flintshire County Council, the Consortium Lead Partner, was not able to provide the Authority with the evidence that PWC required showing the individual allocations of RTP Capital, Road Safety Capital and Road Safety Revenue within the overall grant to the Consortium. This was actually provided directly by WG following the audit.</p> <p>The error lay with Flintshire County Council who was unable to provide evidence.</p>
17	Sustainable Waste Management	Ineligible expenditure of £27,944 was identified relating to waste disposal. Further ineligible expenditure was identified during the testing of in house fleet	The Waste Grant is a contribution to the costs incurred by Waste Management. The balance is met from core budgets. The relevant cost centres contain expenditure over

		<p>recharges totalling £2,244.21.</p> <p>The ineligible expenditure does not impact on the grant as there was a £422,471 overspend.</p>	<p>and above what the grant funds but specific expenditure has not in the past been allocated to the grant. When the original sample was selected an item for Food Waste Liners for £27,944 was picked and that was deemed to be ineligible, similarly fleet recharges could not specifically be traced back to the grant.</p> <p>There was no financial implications with £1,863,794 grant claimed being retained by the Authority.</p> <p>The error lay with Finance for allowing total expenditure to be tested.</p>
18	HRA Subsidy	<p>The amount paid by the Authority on the claim form was stated as £1,885,950 but the underlying records indicated £1,885,975 a difference of £25.</p> <p>The opening capital funding requirement should be used as the basis to calculate cell 0385 rather than the opening subsidy capital financing requirement.</p> <p>Various amendments were made due to incorrect values extracted from working papers and from the prior year claim.</p>	<p>Payments on account were understated by £25.</p> <p>It was not clear from the guidance whether to use the average total number of dwellings in the year or the total number of dwellings in the HRA at the end of the year.</p> <p>The error lay with Finance on the interpretation of the guidance and quality of working papers.</p>
19	Learning Pathways	<p>Signed SLA's were in place for all 3 Partner organisations however expenditure for one partner had been incurred before the SLA was signed.</p> <p>Amendment in respect of capping the eligible expenditure amount to reflect the grant allocation.</p>	<p>SLA's were put in place between the Authority and three Delivery Organisations namely Cynnal, Coleg Menai and Careers Wales. One of the SLA's was signed and dated after the first item of expenditure had been incurred by the Authority.</p> <p>We incurred a £1 underspend on Welsh Medium activities and 0.72p on the main revenue which was vired into Welsh Medium Forum. This gave an overall overspend of £2.61. The £1</p>

			<p>underspend was not allowed and the eligible expenditure on Welsh Medium Forum was capped. This did not impact on the grant of £613,299.</p> <p>The errors lay with both Education and Finance.</p>
20	Social Care Workforce Development Programme	<p>During testing £3 difference between the invoice amount and the amount on the ledger. Expenditure incurred by the Authority was £313,752.53 above the approved grant expenditure of £309,710.</p>	<p>When the audit statement was produced there was an accrual for £1,950 included. The invoice had not been paid and the invoice was approved for payment during the audit with the invoice amount being £1,947. There was no financial impact.</p> <p>The error lay with Social Services who did not pass the invoice for payment and did not resolve outstanding issues with supplier.</p>
21	Development of Anglesey's Coastal Environment	<p>Items of expenditure not defrayed until after the end of the claim period were included in the amount claimed.</p>	<p>The defrayments related to a cheque payment of £62.50 which had not been presented to the bank and a further cheque payment of £354.11 which did not clear the bank until 8/10/13 outside of the claim period to 30/9/13.</p> <p>The error lay with Finance who should check all defrayal dates prior to inclusion in claims. These two items were removed from the claim for £205,276.</p>
22	SEG 11-12	<p>LAC expenditure of £16,348 was below the minimum of £19,351.</p> <p>Percentages of expenditure for Literacy, Numeracy and Poverty were estimates, therefore unable to determine whether the amounts shown as expenditure for each priority per the claim are accurate.</p>	<p>LAC funding paid for a member of staff, the original member of staff left and the post had to be reappointed which resulted in an underspend.</p> <p>Expenditure on the ledger could not be broken down into the three priorities and many elements had been combined.</p>

		<p>The Authority was not able to evidence that the funding delegated to schools has been defrayed for the purposes for which it was given.</p> <p>The Authority has not been able to evidence that the funding devolved to collaboration partners had been defrayed for the purposes for which it was given.</p> <p>70% of the funding was delegated to schools below the 75% level required.</p> <p>Unable to determine the eligibility of 10 from 25 items totalling £121,658.22 due to a lack of information to confirm the nature of the expenditure.</p> <p>Unable to determine the correct classification of 22 out of 25 items.</p> <p>Unable to determine the apportionments to the claim for 10/25 items totalling £103,810.33. The Authority has not provided an adequate rationale for the method of apportionment adopted.</p>	<p>There was no monitoring of the schools expenditure in relation to the grant. It could not be evidenced how the school had spent the funding.</p> <p>£3,500 was awarded to Plas Cybi Communities First Partnership to deliver a project within the schools but there was no monitoring of how the money had been spent.</p> <p>The Authority paid centrally for the services delivered by Cynnal rather than delegating the funding to the schools.</p> <p>The invoices could not be specifically allocated to Literacy, Numeracy or Poverty as much of the expenditure had been combined and therefore eligibility could not be proved.</p> <p>As above.</p> <p>Where invoices included expenditure on all of the priorities they were apportioned across each of the priorities based on a percentage deemed reasonable by Education but this was not acceptable to PWC.</p> <p>The total grant claimed was £718,552. The financial implication was £3,003 grant recovery on the LAC underspend.</p> <p>The errors lay with both Finance and Education for lack of monitoring of delegated schools funding, third party expenditure and incorrect classification of expenditure.</p>
--	--	--	--

23	North West Wales LIF 11-12	<p>For two invoices sampled original invoices were not able to be provided although uncertified copies were provided.</p> <p>Staff costs of £10759.12 were defrayed in 2011 and were claimed in 2012.</p> <p>One contract which had been let did comply with the NWW LIF Protocol but did not comply with the authority's internal procurement rules. The Authority did obtain 3 quotes but did not go through a full tendering process.</p> <p>Claim was provided late.</p>	<p>Original invoices stored in the Ysgol y Graig site could not be found due to the poor condition of the storage</p> <p>The salaries and other costs of the Project Manager (Regional costs) are funded equally by the four partners, and invoiced a quarter in arrears. The expenditure is included in the claim after the partners have accepted the invoice and paid it. It was only claimed once.</p> <p>This refers to procurement by grant recipients. They are required to obtain 3 quotes for purchases. The procurement regulations being operated by the partner awarding the LIF grant have not been extended to the grant recipients. WEFO guidelines say that 'non-contracting authorities' need only to use fair and open practices.</p> <p>Claim value £2,172,872.80</p> <p>The error lay with Finance in terms of retention of original finance documentation.</p>
24	Strategic Infrastructure Sites & Premises 11-12	<p>An advance payment of £74,379 was made for a service which has not been delivered with no indication of when it will or whether it may be outside the life of the project.</p> <p>Claim provided late.</p>	<p>A payment was made to SP Manweb to remove and relocate the electricity substation from the Penyrsedd Site. The payment had been paid, defrayed and claimed but at the time of the audit, the work had not been completed. A date could not be confirmed when it would be completed as discussions with SP Manweb were still in progress.</p> <p>The amount was removed from the claim of £705,719 and claimed again when the work was completed in July 2014.</p> <p>The error lay with Finance in making the judgement whether the works would be completed within the life of the project.</p>

25	Housing Benefit and Council Tax Subsidy 11-12 & 12-13	A number of issues identified during 11-12 and 12-13 and are being discussed with Housing Benefit Staff	<p>There are ongoing issues with the accuracy of the HB &amp; CT claims going back a number of years. Staffing has been brought in to assist with the process and procedures have been improved.</p> <p>The errors lie with Finance.</p>
----	---	---	--

# GRANT CLAIM INSTRUCTIONS

## 1 INTRODUCTION

- 1.1 The certification of grant claims is the responsibility of Finance and it is essential that a process is followed to ensure the accurate compilation of grant claims. The following information outlines the process to be followed to complete, review and authorise any grant or subsidy claims.
- 1.2 A central Grants Register is maintained within Finance and can be found on *G:\FINANCE\ FINSVCS\LOTSHARE\GrtContr\Grants Monitoring Database\14-15*. This should be updated by the Accountants responsible for the grant with the details of the grant and the claims.

## 2. THE GRANT CLAIM FILE

- 2.1 A sufficient level of information should always be maintained on a project file which will allow anyone to verify the information contained within the claims. The file should be marked with a destruction date. Many grants now state that the original documentation should not be destroyed until the Authority is notified that it is safe to do so. This should be noted on the file and an archive record kept of files so that files can be destroyed at the appropriate time. The file should also be protectively marked as 'Official – Sensitive'.
- 2.2 Where European or Rural Development Plan funding is being claimed the original invoices should be removed from Creditors after they have been scanned into CIVICA and retained on the Project Files as certified copies of scanned originals are not deemed sufficient audit evidence.
- 2.3 Separate grant instructions should be produced and maintained on the project file, which highlight any unusual compliance issues, a contact within the Service, cost centres, timetable for claims and other deadlines which will allow anyone to be able to provide cover for a grant claim process in the event of staff absences.
- 2.4 For those grants which require an external audit a standard project file should contain the following:
- The application or approved expenditure plan.
  - The signed Offer Letter.
  - Copies of invoices, credit notes and payslips.
  - Timesheets if staff time has been apportioned, signed by the Officer and Line Manager.
  - Rationale behind any other apportionment e.g. overheads.
  - Evidence of third party expenditure (if applicable).
  - Signed and dated Third Party Service Level Agreements or Grant Offers (if applicable).
  - Details of any income generated (if applicable).
  - Claim documentation including ledger prints and year end ledger reconciliation.

- Details of any quotes or contracts awarded to show the procurement process has been followed.
- Details of any publicity generated, photographs of activities/assets generated, before and after shots.
- Asset register (if applicable).
- Remittance advice notes.
- Bank statements showing income received.
- Details of in house recharges and supporting evidence showing that they have been recharged on a fair basis i.e. charged on the same basis to grant and non-grant funded activity.

### **3. COMPILATION OF THE CLAIM**

- 3.1 Claims and returns have to be signed by the Section 151 Officer or Deputy Section 151 Officer in the majority of cases. Some claims may require two signatures which may either be the Project Manager, Head of Service or Service Accountant. The accurate compilation of the claim is the responsibility of Finance.
- 3.2 The claim can be made up of information from the following sources:
- Financial information recorded in the ledger.
  - Financial information recorded in a departmental or third party organisations system e.g. Housing Benefits
  - Non-financial information such as delivery against milestones, outputs etc. which is normally provided by the Project Manager.
- 3.3 All information provided in the claim must be verified and agreed by the Accountant compiling the claim and the Project Manager within the Service. Once completed the claim should be independently reviewed prior to certification. A Grant Claim Checklist (Appendix A) should be completed for every grant or subsidy claim.
- 3.4 Documentation in support of the claim should be compiled and must include reconciliation back to the ledger. The level of supporting information for each claim will differ for some claims awarding bodies will want to see copies of invoices for others no supporting information will be required with the submission. The supporting information should be sufficient to allow a reviewing Accountant to verify the claim and should include notes on how to complete the claim, a copy of the Offer Letter and information on previous claims. Cross referencing the supporting documentation to the claim can often simplify and speed up the process.
- 3.5 Sometimes estimated or interim claims are required which are based on forecast expenditure. When the final claim based on actual expenditure is submitted any variances should be investigated and detailed on the supporting papers.
- 3.6 As a general rule the expenditure included in the claim should be the expenditure that is showing on the ledger. In exceptional circumstances claims can include an amount for invoices which have been received but not yet scanned into CIVICA and therefore not appearing on the ledger. This is only advisable where it is acceptable to the funding body and the actual expenditure is significantly under its' target profile. If



this approach is used it must be carefully monitored to ensure that expenditure is not claimed again in the following claim.

- 3.7 When the grant or subsidy claim is submitted to the Reviewer at least 3 working days should be given to allow for time to review and amend the claim if necessary.

#### **4. REVIEWING CLAIMS**

- 4.1 All claims must be reviewed prior to certification. A reviewer can be an Accountancy Manager, Service Accountant or Grants Manager. If the claim has been wholly completed by non-Finance staff then an initial check should be carried out by the Service Accountant prior to review by the Accountancy Manager.

- 4.2 The Reviewer is responsible for:

- Ensuring that the claim has been completed in accordance with the grant conditions.
- Ensuring that the form has been correctly completed and that the figures are accurate and can be related back to the ledger.
- Carrying out sample checks to be satisfied that the form has been completed correctly.

- 4.3 The Reviewer should completed part B of the Grant Claim Checklist noting the checks carried out and any amendments that need to be made. If amendments are required the claim should be returned to the preparing Accountant for amendment.

- 4.4 If the Reviewer is satisfied that the claim has been completed correctly then the Checklist should be signed and dated and the claim passed for certification.

#### **5. CERTIFICATION OF THE CLAIMS**

- 5.1 The Chief Financial Officer is normally specified as the person to certify the claims. This will be the Section 151 Officer or alternatively the Deputy Section 151 Officer.

- 5.2 The Certifying Officer should receive the claim and all supporting paperwork at least 2 days before the due date of the submission.

- 5.3 The Certifying Officer should ensure that the process has been followed and that the checks that he/she determines necessary have been carried out.

- 5.4 The date the claim was certified should be added to the checklist.

#### **6. CERTIFICATION OF YEAR END CLAIMS FOR EXTERNAL AUDIT**

- 6.1 A number of grants require external audit. The audit requirement will be laid out in the original Offer Letter.

- 6.2 Following submission of the final claim a year end Statement of Expenditure will be compiled by the Service Accountant for submission to the Authority's external auditors. The Statement will be based on the ledger entries for the year and will state whether money is owed to the Authority as a result of an under claim or money is owed to the funding body as a result of an over claim.

- 6.3 Particular attention needs to be paid to creditor accruals to ensure that:
- (i) They have actually been paid and can therefore legitimately be included in the claim if the grant operates on an accruals basis.
  - (ii) That the invoice which has been paid against the accrual actually matches the original accrual amount.
- 6.4 Claims for audit should be prepared in the same way as interim claims however a full ledger reconciliation detailing the cost centre(s) transactions should be submitted to PWC as part of the audit paperwork. This will allow them to pick their sample prior to arrival on site.
- 6.5 Where expenditure exceeds the approved grant expenditure as detailed in the Offer Letter it should be made clear on the ledger which transactions should be included for testing and which should be excluded.
- 6.6 The ledger reconciliation and original signed copy of the statement for audit should be passed to the Grants Manager for submission to the auditors and a copy should be retained on the Project File.
- 6.7 For most grants, auditors have a period of about 3 months to certify the Statement. A timetable of audit work will be agreed between the auditors and the Grants Manager and notified to the Accountant and Project Manager to ensure availability during the audit. Most grant audits will last 1-2 weeks depending on the number of queries raised by the auditor and the speed with which the queries are dealt with. Most audit queries should be dealt with within 2-3 working days.
- 6.8 The audit will look at a number of elements related to the management of the grant funding in line with Certification Instructions (CI's) produced by the Wales Audit Office. Current CI's can be found on  
G:\FINANCE\FINSVCS\LOTSHARE\Certification Instructions\2013-14.
- 6.9 The cost of the audit and the time taken can be kept to a minimum by ensuring that all supporting documentation is made available to the auditor in the project file as referred to in 2.4 above.
- 6.10 Upon completion of the audit a certified Statement will be released. Any areas of non-compliance with the terms and conditions of the Grant Offer will result in a qualified audit report. Qualification points should be followed up by the Project Manager with the support of the Grants Manager if necessary, to ensure that these issues are addressed for future years. Consistent audit qualifications year on year could result in the loss of grant funding.

**GRANT CLAIM CHECKLIST**

**APPENDIX A**

**CLAIM TITLE** \_\_\_\_\_ **YEAR** \_\_\_\_\_  
**DEPARTMENT** \_\_\_\_\_  
**SERVICE ACCOUNTANT** \_\_\_\_\_  
**DEPARTMENTAL CONTACT OFFICER(S)** \_\_\_\_\_  
**DEADLINE DATE FOR SUBMISSION** \_\_\_\_\_  
**ANY INTERIM / ESTIMATED CLAIMS PREVIOUSLY SUBMITTED (Yes / No)** \_\_\_\_\_

**To be completed by the Grant Claim Preparer**

**Name of Preparer** \_\_\_\_\_

1. Has evidence been obtained to support all assurances required for the certification statement?  
Date of completion \_\_\_\_\_ Signed \_\_\_\_\_

2. Has evidence of all non-financial information been obtained?  
Date of completion \_\_\_\_\_ Signed \_\_\_\_\_

3. Has the claim been completed and agreed with both Finance and the Department?  
Date of completion \_\_\_\_\_ Signed \_\_\_\_\_

4. Has any expenditure been included which is not yet on CIVICA? Yes/No  
Date Claim Passed to Reviewer \_\_\_\_\_

**To be completed by the Reviewer**

**Name of Reviewer** \_\_\_\_\_

1. Details of checks carried out  
Date Working Papers Reviewed \_\_\_\_\_ Signed \_\_\_\_\_  
Date Claim Checked \_\_\_\_\_ Signed \_\_\_\_\_

2. Was it necessary to correct the claim following the review? Yes / No  
Date amendment completed \_\_\_\_\_  
Preparer \_\_\_\_\_ Reviewer \_\_\_\_\_

3. Date Passed for Certification \_\_\_\_\_

Date claim certified \_\_\_\_\_ Certified by \_\_\_\_\_  
Date submitted to funding body \_\_\_\_\_ Date submitted for audit \_\_\_\_\_



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

## Isle of Anglesey County Council EU/RDP Management and Retention of Records Policy



**ERDF**  
Llywodraeth Cymru  
Welsh Government

**Ewrop & Chymru: Buddsoddi yn eich dyfodol**  
Cronfa Datblygu Rhanbarthol Ewrop

**Europe & Wales: Investing in your future**  
European Regional Development Fund



**ESF**  
Llywodraeth Cymru  
Welsh Government

**Ewrop & Chymru: Buddsoddi yn eich dyfodol**  
Cronfa Gymdeithasol Ewrop

**Europe & Wales: Investing in your future**  
European Social Fund



Cronfa Amaethyddol Ewrop ar gyfer  
Datblygu Gwledig: Ewrop yn Buddsoddi  
mewn Ardaloedd Gwledig  
The European Agricultural Fund for  
Rural Development: Europe Investing in  
Rural Areas



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

## **Contents**

1. Purpose
2. Introduction
3. Document Retention EU/RDP Regulations
4. IACC Retention Protocol
5. Accepted Security Standards

## **Annexes**

Annex A – Computer Security Standards

## **1. Purpose**

- 1.1 The purpose of this policy is to ensure the Isle of Anglesey County Council (IACC) conforms to the rules and regulations of retaining the correct and full documentation in relation to projects funded through the EU Convergence Programme and the Rural Development Plan.
- 1.2 This policy will provide guidance and instructions on the processes for management of relevant records for officers working on EU/EAFRD funded projects.

## **2. Introduction**

- 2.1 Records relating to EU/EAFRD projects need to be managed effectively so that Wales European Funding Office (WEFO) and the Welsh Government (WG) auditors can access project records for a lengthy period of time as set out by the European Commission (EC) – potentially at least 17 years for projects that started in 2007/2008.
- 2.2 EC legislation requires WEFO/WG to ensure that all supporting documents relating to expenditure are kept available for three years following the formal closure of the Operational Programme that funded the expenditure.
- 2.3 Therefore, projects must retain all records until WEFO/WG confirm that this period has expired. This date will be notified on the WEFO website and directly by the WG for RDP projects. Based on previous experience of programme closure, it is anticipated that this point will not arrive until at least 2024.
- 2.4 This document outlines the minimum requirements of WEFO and the EC so that organisations can decide on the best arrangements for their individual circumstances.
- 2.5 The information and advice in this document relates solely to the requirements of the 2007-2013 programmes and not to earlier programmes. Similarly, it does not aim to explain or substitute any of the wider records management responsibilities that may apply to a particular organisation, such as Public Records legislation, Freedom of Information, Data Protection, The National Archives, HMRC, Companies House etc.
- 2.6 Full WEFO 'Management and Retention of Records Guidance can be found at: <http://wales.gov.uk/docs/wefo/publications/developingguidance/120906docmanandrenten.pdf>

## **3. Document Retention EU Regulations**

- 3.1 Options are outlined below for consideration by Project Managers. Important factors to consider will include:
  - Storage space and costs;
  - Each organisation's policy/ risk appetite regarding the legal admissibility of copies/ scans in UK civil courts;

- Whether 'originals' will be retained as a back-up or destroyed when a copy or scan is created; and
- Convenience, access, ease of retrieval for current and future staff.

***Unfortunately for Project Managers of RDP funding the only option available is Option 1 where the original paper version of the documents must be retained as certified scanned or photocopies are not acceptable. The inability to produce original documents at audit could result in clawback and an additional fine of an equivalent value.***

### **3.2 OPTION 1 - Original (paper)**

Retaining original paper copies may have significant physical storage implications. Physical damage is a risk and the ability to retrieve documents quickly can be challenging, particularly if stored off-site. Records will need to be clearly labelled and/or filed separately to normal business records so that each organisation holding records complies with the lengthy retention period. No 'certification process' is required for original paper records.

### **3.3 OPTION 2 - Paper copy (photocopy of original paper document)**

This must be the first photocopy of an original and not a 'copy of a copy'. Both sides of the original document must be copied if applicable. The copy must be certified using the certification process outlined in the full WEFO Management and Retention of Records Document

<http://wales.gov.uk/docs/wefo/publications/developingguidance/120906docmanandreten.pdf>.

### **3.4 OPTION 3 – Scan an original paper document (digitised documents)**

Scanning of original paper records can be used if the WEFO certification process is followed. Scanned documents must be a true representation of the original document (a replica image, including the reverse of the document if applicable) and must not be condensed, cropped etc. Any alterations made to the scanned image must be logged in an audit trail and presentational changes (contrast, brightness, rotation, zoom etc.) must not permanently replace the original image. EC regulations (and WEFO) do not impose any higher burden beyond standard UK legal and audit requirements other than the requirement to comply with the certification process.

The scan must be certified using the certification process outlined in the full WEFO Management and Retention of Records Document

<http://wales.gov.uk/docs/wefo/publications/developingguidance/120906docmanandreten.pdf>.

### **3.5 OPTION 4 - Original (electronic records and documents)**

In practice, this means e-mails, word processing files, spreadsheet files, database records, electronic invoices received from suppliers, electronic data interchange etc.

The terms 'document' and 'records' can be used interchangeably in this context (in the sense that a document is information stored in a particular media format).

Where documents are created/ transmitted/ filed in electronic version only, they are, effectively, the 'original' and therefore do not need to be 'certified'.

As with the scanning process in Option 3 above, the computer system must maintain an audit trail/ system log that would show any modifications to the records or documents (and this log must be capable of inspection until 2024 or later).

#### Important Note

Each organisation that chooses to retain records electronically/ digitally must be able to explain and demonstrate (if requested by WEFO and/or auditors) how their IS/ IT systems adhere to the above requirements. Structural Funds audits and inspections are not designed to be computer-security compliance audits and therefore, in practice, records will usually be accepted at face value with auditors/inspectors applying their professional judgement to identify any indications that a record is not authentic or that organisations are not aware of, or not aiming to follow, accepted security standards. Similarly, a successful audit or inspection must not be interpreted as providing assurance that computer systems are compliant with computer security standards.

### **3.6 OPTION 5 - Paper version of electronic records/ documents**

Some electronic documents and records can be printed via an integrated 'print' option in the software application – e.g. e-invoices received by e-mail as protected PDF documents, PDF bank statements created by the online bank website application, or other PDF primary documents held within - or created by - a secure system with a hard-copy print option.

If preferred, these documents can be printed and retained as hard-copy records. The printed version must be certified as outlined in the certification process for photocopies (above).

Screen prints or screen dumps (copying screen images and pasting them into another application such as Microsoft Word and then printing) are not acceptable.

## **4. Accepted Security Standards**

- 4.1 The EC require the above computer systems to meet accepted security standards to ensure that the records held comply with national legal requirements and can be relied on for audit purposes.
- 4.2 To help project sponsors, WEFO considers that the three sources outlined in Annex A are authoritative, commonly used standards/ sources of guidance that can be used as a reference point to provide assurance about the adequacy of security standards.
- 4.3 The key aim is that information contains the following four characteristics of an 'authoritative record':

#### **Authentic**

- Is the document/record what it purports to be?



- Was the document/record created or sent by the person purported to have created or sent it?
- Was the document/record created or sent at the time purported?

### **Reliable**

- Can the document record be depended on and its contents trusted as a full and accurate representation of the transactions, activities or facts to which it claims to represent?

### **Integrity**

- Is the document/record complete and unaltered?

### **Usability**

- Can the document/record be located, retrieved, presented and interpreted?

4.4 An automated audit trail/system log must therefore be maintained to enable the demonstration of the above four characteristics if required and to support legal admissibility. This log must be available for inspection to 2024 or beyond. This log must register any changes made to the electronic records unless it can be demonstrated that the file format is incapable of being edited - although, an automated log of the date/time that the record was created or scanned is always required.

4.5 Computer systems must maintain the content of the record that would have existed when the record was first received or created e.g. not summarised, condensed or aggregated.

4.6 Each organisation that chooses to retain records electronically/ digitally must be able to explain and demonstrate (if requested by WEFO and/ or auditors) how their IS/ IT systems adhere to the above requirements.

## **5. IACC Document Retention Protocol**

### **5.1 General Project Document Filing**

European/RDP funded projects are required to retain sufficient document records to satisfy future audits on any expenditure claimed during the project period.

Examples of the types of documentation to be retained are as follows (not exhaustive):

- Project Business Plan;
- Project Approval letters;
- Project Financial and Delivery Profiles;
- Notification of significant change;
- Project Claim documents (including financial ledger, bank statements, remittance advice notes etc.);
- Any documents outlining expenditure (Invoices, travel claim forms etc.);
- Significant relevant email correspondence.

Original paper documents, for example, letter correspondence should be retained according to Retention Option 1 (Original Paper).

Certain documents, such as contracts and business planning documents will need to be signed and returned in order to complete an approval process. These documents will need to be copied (photocopy) and will then become a 'Paper Copy'. Paper copies should be retained according to the guidelines in retention Option 2.

Copies produced must be the first photocopy of an original and not a 'copy of a copy'. Both sides of the original document must be copied if applicable. The copy must be certified using the certification process outlined in Option 1.

When there is a requirement to file an electronic document as a hard copy, the guidance within retention Option 5 must be followed. Printed versions must be certified as outlined in the certification process for photocopies (above).

Screen prints and screen dumps (copying screen images and pasting them into another application such as Microsoft Word and then printing) are not acceptable.

## **5.2 Payments for Goods and Services**

The IACC's 'CIVICA' Finance system supports the retention of records produced when making payment for goods and services received for a project i.e. paper invoices, electronic invoices, scanned invoices and procurement card payments (not exhaustive).

Each project will have a Grant Accountant from the Finance Department appointed to work with the Project Officer to ensure financial control of the project. The Accountant will establish a unique cost centre for the project and a range of expense codes within the Authority's accounting ledger.

When purchasing goods and services the project officer will do so through the CIVICA system according to the specific cost headings he/she will have access to, this will then be authorised by a senior officer prior to placing the order with the supplier.

Official Orders (PRD's) generated by the IACC are stored within CIVICA electronically and should be retained until 3 years after the closure of the programme (currently predicted as 2024).

Documentation relating to any internal transfers or BACS transactions are also retained on the system as electronic documents.

Upon the authorisation of the purchase the supplier will issue a request for payment in one of the following forms:

- a) Paper Invoices** – Will be returned to the IACC and scanned to be input onto the CIVICA system. This will then become a digitised document. **For both EU and RDP projects the original invoice should be removed from Creditors and retained as**

**an original document on the project file by the Grant Accountant, they SHOULD NOT BE DESTROYED ONCE SCANNED ONTO THE SYSTEM.**

- b) Electronic Invoices** - Are filed electronically as an original file / document within the CIVICA system. These are regarded as originals and do not require certification (see Option 4).
- c) Procurement Card Payments** – Creditor invoices: (card statements) are issued electronically and should be treated using the same process as an electronic invoice. Supplier invoices: If returned electronically, can be treated as above. If returned as a paper copy, they should be retained according to the guidance on paper invoices.

**NOTE: FULL CLAIMS AND PAYMENT PROCESSES CAN BE FOUND IN THE IACC EU PROJECT MANAGEMENT GUIDELINES:**

<http://www.anglesey.gov.uk/business/european-funding/eu-convergence/european-guidance-notes-project-management-and-frameworks/eu-project-management-guidelines>

### **5.3 Archiving**

Following the completion of the project the Project Holding Department/Project Manager/ Responsible Owner is responsible for the archiving of project files and transfer to the Archive Unit according to the instructions provided by the IACC's Senior Archivist. A record of all files transferred to the Archive Unit will be maintained by each team, and record/log of when the files have been transferred. Access to files will be controlled by the Team Managers and Senior Archivist.

The Grant Accountant will retain all original finance documents on their project files and transfer them for storage to the Finance Archive after completing the Grant Archive Schedule.

**NOTE: ALL ARCHIVED DOCUMENTATION MUST STILL DISPLAY LABELS SPECIFYING THE EARLIEST DATE OF POSSIBLE DISPOSAL (CURRENTLY 2024) IN ACCORDANCE WITH EU REGULATIONS.**

<http://wales.gov.uk/docs/wefo/publications/developingguidance/120906docmanandreten.pdf>.

The retrieval of records from the Archive Unit will follow established procedures. The permanent retrieval of files from the facility will be authorised by Team Managers with an appropriate entry made in the file register.

**NOTE: ANY DOCUMENTATION ARCHIVED MUST BE IN FULLY INDEXED BOXES; ENSURING EASE OF RETREIVAL IN ACCORDENCE TO THE TIMELINE PUT FORWARD BY THE EU AUDIT TEAM.**

<http://wales.gov.uk/docs/wefo/publications/developingguidance/120906docmanandreten.pdf>.

There is currently no charge for storage costs at the Anglesey Archives. However, given the increasing pressures on service budgets, this may change in the near future. Archiving costs will be attributed to the Project Holding Department.

**NOTE: PROJECT ARCHIVING IS AN INTEGRAL PART OF EU PROJECT CLOSURE PROCEDURES AND IS TO BE ADOPTED AS PART OF THE CLOSURE PROCEDURES.**

#### **5.4 Email Retention**

It is the responsibility of the project manager to ensure the retention and filing of any key documents received by email.

Any documentation received by email should not be retained within the Outlook system. Key documents/email correspondence should be printed and filed according to retention guidelines in Option 1(Original Paper).

The IACC email system should not be used as a document management system.

#### **5.5 Staff Turnover**

It is the responsibility of the Project Manager to ensure that officers moving to another role or leaving the Authority review their e-mail accounts and file (as hard copies) any key documents received, and delete any personal emails prior to leaving their post.

The following steps summarises the actions required (in relation to email accounts) when an officer working on a European project leaves their role:

- Project Manager and Project Officer to discuss timing of role to be vacated, associated work programme and notice period (usually 1 month);
- Project Officer to notify ICT department of exit and notice period;
- Project Officer to review & file key email documents and remove personal information during the specified notice period;
- ICT to provide proxy access to the relevant post's email account to Project Manager until the post is filled;
- ICT to make copy (CD) of relevant email account for future reference;
- New post holder to be provided with access to 'old' email account and copy of files (CD) by ICT.

## ANNEX A - Computer Security Standards

WEFO considers that the following three sources outlined are authoritative, commonly used, well-established standards/ requirements that project sponsors can use as a reference point to provide assurance about the adequacy of their computer security systems.

The three sources share common fundamental requirements and this guidance note signposts project sponsors to the key elements.

- **ISO 15489** is commonly regarded (including by The UK National Archives) as an authoritative records management text. The Welsh Government designs its own core IT systems to comply with this standard.
- **BSI 10008** (2008) British Standards Institute, Code of Practice on the Legal Admissibility and Evidential Weight of Information Stored Electronically. The code also draws upon ISO 15489 requirements.
- **MoReq2** (Model Requirements for the Management of Electronic Records 2008). The National Archives endorses and participates in this EU initiative, which incorporates and harmonises all or part of national standards across the participating European Member States. MoReq2 draws significantly.

## GRANT ACCEPTANCE CHECKLIST

TO BE COMPLETED BY SERVICE RECEIVING THE GRANT			
<b>Grant Title</b>			
<b>Amount Awarded</b>		<b>Period of Award</b>	From To
<b>Project Manager</b>		<b>Service</b>	
<b>Please indicate which category of funding best describes the grant</b>			
Annual recurring grant		New one off project	
Other (please state)		New programme	
<b>Is the Offer Letter accurate in terms of the start and end dates, funding, outputs?</b>			
Yes/No If No please return the Offer Letter to the funding body requesting an amendment.			
<b>Does the grant require additional resource from:</b>		<b>Is this a capital project with ongoing revenue implications</b>	
Procurement	Yes/No	IT	Yes/No
Other (please state)		Yes/No	
		<b>Will staff be funded by the grant</b> Yes/No	
		If yes how many?	
<b>Does the grant have any State Aid implications?</b>		<b>Will any of the grant be delegated to third parties?</b>	
Yes/No		Yes/No	
<b>Will any of the grant be awarded to Third Sector Organisations?</b>		<b>Is the Corporate Performance, Planning and Programme Office aware of the grant?</b>	
Yes/No		Yes/No	
TO BE COMPLETED BY FINANCE			
<b>Responsible Accountant</b>		<b>Is external audit required?</b>	Yes/No
<b>Level of financial risk to Authority</b> High Medium Low			
<b>Reason</b>			
<b>New cost centre required?</b> Yes/No		<b>Is match funding required?</b> Yes/No	
<b>Date signed by S151</b>		<b>Date returned to funding body</b>	