



PUBLIC SECTOR

Certification of grants and returns 2008/09

Bridgend County Borough Council

June 2010

AUDIT

Contents

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	Page
● Headlines	2
● Summary of certification work outcomes	3
● Fees	7
● Recommendations	9

Status of this report

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External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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Headlines

<p>Introduction & background</p>	<p>This report summarises the results of work on the certification of the Council’s 2008/09 grant claims and returns</p> <ul style="list-style-type: none"> As appointed auditors of the council, we are asked on behalf of the Auditor General for Wales, to certify larger grant claims made by the Council. For 2008/09 we certified <ul style="list-style-type: none"> 35 grants with a total value of £22.8M 4 returns with a total value of £92M 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for 35 grants and returns but qualifications were necessary in 4 cases</p> <ul style="list-style-type: none"> The Free Concessionary Travel return was qualified for two reasons: <ul style="list-style-type: none"> there was an overstatement of £8,040.20 on the reserve of an expected invoice; and the Authority experienced difficulties obtaining support for the number of passes in issue. The Local Transport Services grant was qualified because the provision of community transport fell short of the required minimum 10% value of the authority's allocation. The proportion of community transport services included in the claim represented 9.945% of the 2008-2009 allocation. The School Buildings Improvement grant was qualified because a contract for roofing valued at £99,600 had not been approved by the Chief Financial Officer in advance of it being awarded. The Transport grant was qualified because the grant requisitions had only been made three times a year rather than being based on current month’s expenditure. 	<p>Pages 3 – 4</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to 12 of the Council’s grants and returns as a result of our certification work this year</p> <ul style="list-style-type: none"> The net adjustment of the twelve grants resulted in a decrease in the amount payable to Bridgend County Borough Council by £12,288.32. Four of the adjustments had no effect on the entitlement. Seven of the adjustments led to an increase in the amount payable to Bridgend County Borough Council by a total of £7,482.68. One of the adjustments, being the largest adjustment of £19,771, led to a decrease in the amount payable to Bridgend County Borough Council. 	<p>Pages 5 – 6</p>
<p>Fees</p>	<p>Our overall fee for the certification of grants and returns has been contained within the original estimate</p>	<p>Page 7</p>
<p>The Council’s arrangements</p>	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work</p>	<p>Page 8</p>

Summary of certification work outcomes

Overall, we certified 39 grants and returns

- 25 were unqualified with no amendment
- 10 were unqualified but required some amendment to the final figures
- 4 required a qualification to our audit certificate

Detailed comments are provided below

Detailed below is a summary of the key outcomes from our certification work on the Council's 2008/09 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.

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.

Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing and Council Tax Benefits Scheme				●
Safer Communities Fund				●
Evaluated Early Intervention Project				●
Better Schools Fund				●
3x School Buildings Improvement Grant	①	●		②
Learning Pathways				●
Flying Start				●
Cymorth				●
Substance Misuse Action Plan	②		●	●
Mental Handicap and Illness Strategy				●
2x Pooled Budgets				②

Summary of certification work outcomes continued

Overall, we certified 39 grants and returns

- 25 were unqualified with no amendment

- 10 were unqualified but required some amendment to the final figures

- 4 required a qualification to our audit certificate

Detailed comments are provided below

	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Joint Working Grant					1
Nat Non-Domestic Rates Return	3		1		1
Sustainable Waste Management					1
Teachers' Pension Return	4			1	1
9x Communities First	5			6	9
3x Physical Regeneration Fund					3
Social Care Workforce Development Programme					1
Social Services Performance Management Development Fund					1
Telecare	6			1	1
Community Equipment					1
Promoting Independence & Wellbeing					1
Local Transport Services Grant	7	1		1	
Transport Grant	8	1			
Free Concessionary Travel	9	1		1	
Capital Road Maintenance Fund					1
Total		4	1	11	35

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 3-4

Ref	Summary observations	Amendment
①	<p>School Buildings Improvement Grant</p> <ul style="list-style-type: none"> One of the three claims was qualified because our review of the contracts identified that one contract for roofing valued at £99,600 should have been approved by the Chief Financial Officer (CFO) in advance of it being awarded. The contract had been approved by both the Head of the Direct Labour Organisation and the Head of Service under delegated powers but the final step of obtaining CFO approval was not undertaken. We received confirmation from the CFO that, had he been asked to approve the contract, he would have done so. 	+/- £nil
②	<p>Substance Misuse Action Plan</p> <ul style="list-style-type: none"> An adjustment was required to correct the amount of actual eligible expenditure reported in relation to the 2008-09 Share of Additional £1m (Tier 4). The adjustment had no overall effect on the entitlement. 	+/- £nil
③	<p>National Non Domestic Rates Return</p> <ul style="list-style-type: none"> An adjustment was required to correct the amount reported for the allowance for costs of collection. The adjustment resulted in a decrease in the amount payable to Bridgend County Borough Council by £19,771. 	- £19,771
④	<p>Teachers' Pension Return</p> <ul style="list-style-type: none"> An adjustment was required to correct the amount reported as the total actual contributory salary on the authority's payroll. The adjustment had no overall effect on the entitlement. 	+/- £nil
⑤	<p>Communities First Programmes</p> <ul style="list-style-type: none"> Six of the nine claim forms required minor amendments to various reported costs. The total of all six adjustments resulted in an increase in the amount payable to Bridgend County Borough Council by £6,134.68 	+ £6,134.68
⑥	<p>Telecare</p> <ul style="list-style-type: none"> An adjustment was required to correct the amount reported for the total approved allocation (all payments made). The adjustment resulted in an increase in the amount payable to Bridgend County Borough Council by £1,348. 	+ £1,348

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 3-4

Ref	Summary observations	Amendment
7	<p>Local Transport Services Grant</p> <ul style="list-style-type: none"> A qualification was required because our review of the proportion of community transport services expenditure included in the claim found that it represented only 9.945% of the total allocation for 2008-09, which is below the required minimum 10%. The difference amounts to £256. An adjustment was required to correct the form. The adjustment had no overall effect on the entitlement. 	+/- £nil
8	<p>Transport Grant</p> <ul style="list-style-type: none"> A qualification was required because our review of the recording of the Transport Grant Income and requisitions identified that requisitions had only been made three times during the year, rather than on requisitions of the current month's estimated expenditure. The Council has advised the reason for this is that the Grant is based on capital expenditure which does not accrue on a consistent monthly basis. 	+/- £nil
9	<p>Free Concessionary Travel</p> <ul style="list-style-type: none"> A qualification was required because our review of a reserve for £327,208 in respect of an expected invoice from one of the Authority's operators found that the subsequent invoice, received after the year end, was submitted for only £319,167.80, with the result that the expenditure for 2008/09 was overstated by £8,040.20. In addition the Council was unable to provide support for the figure of 27,378 passes in issue at 31 March 2009. We were advised that the figure resulted from a report obtained from the ACT database which the Welsh Assembly Government introduced to run the pass application system in August 2008. We were informed that the system was still under development and that this can result in different figures being produced depending upon when the report was run. As an example, the report run on 11 November 2009 recorded that there were 30,361 passes in issue in Bridgend on 31 March 2009. If this is the correct figure, then the statement contains an under claim of £8,949.00 An adjustment was required to correct form. The adjustment had no overall effect on the entitlement. 	+/- £nil

Fees

Our overall fee for the certification of grants and returns has been contained within the original estimate

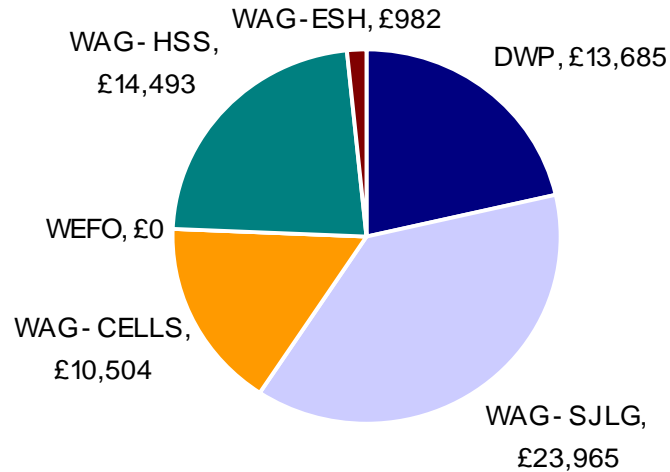
Breakdown of certification fees 2008/09

Breakdown of fee by Department	2008/09 (£)	2007/08 (£)
Department for Work & Pensions [2008/09 & 2007/08: BEN01]	£13,685	£14,832
WAG – Social Justice & Local Government [2008/09: CIV41; CIV42; HC02; LA01; RG02; RG73] [2007/08: CIV40; CIV41; HC02; LA01; RG02; RG73]	£23,965	£18,816
WAG – Children, Education & Lifelong Learning [2008/09: EDU14; EDU17; EDU43; EYC01; EYC14] [2007/08: EDU08; EDU14; EDU17; EDU40; EDU43; EUR90; EYC01; EYC14]	£10,504	£16,504
Welsh European Funding Office [2008/09: None] [2007/08: EUR04; EUR11; RG72.1; RG72.2]	£nil	£24,891
WAG – Health & Social Services [2008/09: HC03; HLG01; HLG13; SOC07; SOC09; SOC26; SOC27; SOC28] [2007/08: HC03; HLG13; SOC07; SOC09]	£14,493	£6,723
WAG – Environment, Sustainability & Housing [2008/09 & 2007/08: LA12]	£982	£1,750
Teachers' Pension [2008/09 & 2007/08: PEN05]	£2,828	£2,917
WAG – Economy & Transport [2008/09: TRA06; TRA15; TRA23; TRA25] [2007/08: TRA06; TRA15; TRA22; TRA23; TRA25]	£10,341	£8,469
Total fee	£76,798	£94,902

Fees continued

Our overall fee for the certification of grants and returns has been contained within the original estimate

Breakdown of certification fees 2008/09



Our initial estimated fees for certifying 2008/09 grants and returns was £90,000. The actual fee charged was lower than that estimate. The main reasons for the fee differing from the original estimate were:

- There was no requirement for 2008/09 to report on European Structural Funds grants to WEFO.

The saving in non-European grant fund reporting was somewhat offset by the qualifications and amendments required to the Social Justice & Local Government, Health & Social Services and Economy & Transport reports.

We recommend the Council takes the following steps to improve its support for our certification work, which should help minimise certification fees in the future:

- Arranging a method for identifying and preparing pooled budget claims in order to meet the required reporting deadlines.
- Providing more guidance to officers preparing grants and returns to ensure the use of the correct forms and provision of sufficient supporting evidence.

Recommendations

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 rating for recommendations		
<p>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.</p>	<p>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.</p>	<p>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.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer & target date
Internal Control Checks					
<p>Sign-Off procedures</p> <p>The qualification on the School Buildings Improvement grant arose because the grant was offered at short notice and CFO approval was unavailable in the time required to obtain the grant.</p>	<p>If a grant is awarded without the necessary approvals there is a risk it could be withdrawn.</p>	<p>An alternative means of approval, such as telephone or email should be considered where time constraints are an issue. If the telephone is the base used, a note of the call should be made, signed and dated by the participants and evidenced on file.</p>	1		
<p>New Staff</p> <p>We experienced more than one occasion where the same new member of staff had apparently not been sufficiently well briefed on the work to be undertaken and as a result had completed the wrong claims forms.</p>	<p>This leads to further work for the authority and the auditor to make amendments to the claim forms. This can increase overall cost.</p>	<p>All new team members should be fully briefed on the work to be done before beginning the task.</p> <p>A final review should be undertaken by the line manager to ensure that the documents are correct before submission to the auditor.</p>	2		

Recommendations continued

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 rating for recommendations		
<p>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.</p>	<p>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.</p>	<p>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.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer & target date
Internal Control Checks					
<p>Management Sign-Off On several occasions there was a note on file to say work processes included internal checks by specified staff members but there was no evidence of the check on the documents on file.</p>	<p>If the auditor has no evidence that an internal check has been conducted, they are required to undertake further testing. This introduces an additional time cost.</p>	<p>Where documents are internally reviewed the reviewer should sign and date the document as evidence that the process has been completed.</p>	<p>3</p>		