



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Certification of grants and returns 2010-11

Bridgend County Borough Council

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Summary

1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (hereafter referred to as grant claims).
2. We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Bridgend County Borough Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed our certification work and conclude that, while the Authority had generally good arrangements in place for the production and submission of its 2010-11 grant claims, as set out in the 'Recommendations' section of this report below, there still remains scope for improvement. We are continuing to work with the Authority to make these improvements for 2011-12. Our conclusion for 2010-11 is based on the following overall findings.
4. For 2010-11 the total value of the 39 grants on which we undertook work was £122m; this compares to 37 claims with a value of £117m in 2009-10. The increase in the total amount of funding on which we worked was in the main due to the introduction of 3 more reports to the Welsh European Funding Office . There was also some variation in the value of other claims.
5. The audit for one claim - the Communities First programme, Cornelly & Wildmill Demonstration Project – was carried out but the certificate on it has not been issued at the request of the Welsh Government which has asked the Authority first to finalise a claim for additional expenditure relating to 2009/10.
6. The Authority submitted 85 per cent of its 2010 -11 grant claims to us on time. This was broadly equal to the 86% of claims submitted on time in 2009-10. Including the cost of the work done on the claim referred to at point 5 above, the work as undertaken at a total audit cost to the Authority of £82,242. Overall, the certificated audits resulted in a reduction of £22,519 in the amount the Authority could claim.
7. On an all-Wales basis, 1 in 4 grant claims in 2010-11 were qualified and 1 in 6 grant claims were amended. The Authority's performance was lower than the all-Wales ratio in respect of qualifications in that (excluding returns to WEFO) we have certified and qualified 12 grant claims (1 in 2.8). It is noted however, that seven of these qualifications were to Communities First Programme schemes and resulted from the same misunderstanding of the grant instructions. The Authority compared better against the all-Wales ratio in respect of amendments in that we have certified and amended 5 grant claims (1 in 6.8).
8. In addition, points were brought to the attention of WEFO in respect of three of the four returns for which we issued certificates. No all-Wales statistic has been provided in respect of these returns.
9. A number of points arose from our audit work that did not directly impact on the claim or return under review but which could impact in financial terms on the Authority in the long run. These have been discussed below under the heading "Additional matters arising from audit testing"

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2010-11 grant claims and returns

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General for Wales to certify grant claims made by the Authority.
- For 2010-11, we audited 39 grant claims and returns and certified 38 grant claims and returns with a total value of £122m, compared to 37 grant claims with a value of £117m in 2009-10
- We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management in order that we can work together to identify further improvements which can be made to the processes.

Timely receipt of claims

- Our analysis shows that the Council submitted 85 per cent of the year's grant claims and returns by the Authority's deadline.
- For the third year in a row, the memorandum accounts for Bridgend's two pooled budget schemes (ARC and Specified Community Equipment) were not received by us until after the deadline for submission to the Auditors
- The Claim Form for the Communities First Programme, Cornelly & Wildmill demonstration project, was not received until some seven months after the deadline. We understand that this was due to protracted discussions on the project and claim form with the Welsh Government. The certificate for the claim has not yet been issued as the impact of the 2009-10 claim on the current year is still under discussion with the Welsh Government.
- Two initial reports on new WEFO Structural Fund grants were requested at short notice when it can be difficult for the auditors to identify staff of the correct level of experience to undertake the audit work and meet the report submission deadline. The Authority has identified this as a problem and was able to give the auditors significantly more notice for the third new WEFO scheme in the year.

Certification results:
Audit Qualifications

Audit Qualifications

All Grant claims and returns are audited in accordance with Certification Instructions provided to the Auditor by the Wales Audit Office. Each Certification Instruction ("CI") is drafted to reflect the particular circumstances of the grant scheme or programme in question and sets out circumstances when errors or other specified matters must be reported by the Auditor. The letters reporting these issues are referred to as Qualification Letters.

We issued unqualified certificates for 22 non WEFO grants and returns but qualifications were necessary in 12 cases (excluding three reports for WEFO returns where points were raised for the attention of the Grant Paying Body). The 12 qualifications represent 35.2 per cent of the reports issued to grant paying bodies other than WEFO. This compares with 18.9 per cent in 2009-10.

- The reasons for qualifying the grants can be grouped into on-going issues which have been reported in previous financial years (marked with an asterisk) and issues which have come to our attention (for the first time) during our grant work carried out in 2010-11.
- We have analysed the qualifications over qualification types in the table set out below:

Nature of qualification	Number Qualified
Authority had not obtained authority for virements/carry forward of balances outside pre-set limits * (This includes 7 Communities First returns all of which contained the same error of no authority for a virement relating to the 'salaries' heading)	8
Tender not awarded in accordance with correct procedures	1
Fewer than 98% of Concessionary Bus Fares supported by Smart Card data	1
Lack of supporting evidence that claim is in correct period	1
Requirement to spend 15% of grant allocation on specific priority not achieved	1

- The main reason for qualifying claims (8 out of the 12 qualifications) was that virements had been made outside of the requirements set by the Welsh Government. The significant increase in the number of qualifications arising for this heading was due to 7 Communities First Grant claim forms all containing the same error due to a misunderstanding of the Welsh Government Instructions.
- As virements represents an area where problems have occurred in previous years, it is an area which the Authority needs to address if future similar qualifications are to be avoided. This is particularly important now as the new Wales Audit Office Strategy, requires us to issue qualifications in circumstances where the requisite approvals are not obtained by the date the Authority signs the claim for or return.

Certification results:
Audit adjustments

Adjustments to claim forms / returns

Where we identify individual errors that are not believed to have been replicated elsewhere in the calculation of the amounts included in the claim or return, then it is permissible for the Council to amend or correct the claim or return. This is referred to as an adjustment.

Adjustments were necessary to 5 (14.7 per cent) of the Authority's non-WEFO grants and returns as a result of our certification work this year. This compares with 7 (19 per cent in 2009-10).

This position for 2010-11 is:

- There was 1 significant adjustment (ie, over £10,000) totalling £22,570. This related to the NNDR return. A significant adjustment was also required to the NNDR return in 2009-10.
- The net result of the five adjustments is a reduction of £22,519 in funds payable to the Authority. Two of the amendments related to changes within headings of the total expenditure on the grant claim which had no impact on the amount claimable by the Authority.
- We have analysed the adjustments over amendment types.

Nature of adjustment	Number Adjusted
Rates income received in respect of rates deferred from previous years allocated to current year rate rather than rates deferred.	1
Transposition error – (ie number mis-typed so 91 becomes 19)	1
Expenditure eligible but analysed under incorrect heading on return	2
Incorrect restriction of costs which were actually eligible	1

- As the NNDR return has now been the subject of amendments of significant value for two years in a row, the Authority may wish to institute a further review process for future returns before they are submitted to the Auditors
- We expect that adjustments will be made to the Communities First Core claim for the Cornelly & Wildmill Demonstration Project (for which the certificate has not yet been issued) on the grounds that it
 - included a number of items of expenditure relating to 2009-10 but
 - also omitted a number of items relating to 2010-11

Certification results:
Audit Adjustments

Audit Adjustments (cont.)

- These anticipated adjustments result from a misunderstanding of the Welsh Government's requirements for Partners' expenditure. Now that officers understand the requirements, they need to maintain a tighter track of Partner's expenditure and the year to which it relates. In addition, the process will need to make sure that any adjustments for 2010-11 are properly dealt with in subsequent years which will be affected.

Certification results:
Comments on WEFO Schemes

Comments included in Accountant's Reports to the Welsh European Funding Office ("WEFO")

Reports to WEFO are produced in a specified format which requires the Reporting Accountant (the auditor) to include and describe any findings, qualifications or comments arising from the testing undertaken. As there is no provision for adjusting or amending WEFO claim forms once the details have been input into the electronic system, any errors or misstatements have to be included in the report rather than adjusted. Accordingly, we include here our findings in respect of WEFO claims separately.

We included findings in 3 out of the 4 Accountant's Reports for WEFO projects for 2010 -11. In comparison, we included findings in the single WEFO project audited during 2009-10.

- The major factor arising from our work on WEFO claims was that, in two instances the matched funding had been incorrectly stated on the claim forms by significant amounts (ie, over £10,000) albeit in one of these cases, we understand that the entry was made on the instruction of WEFO. In total there was an under-reporting of matched funding by £189,950.
- In the third instance, a sum of £970.89 had been included on the claim twice, whilst an amount of £1,694.87 was incorrectly reported on the claim form as ineligible. As only WEFO staff can amend the form, Authority staff were in the process of seeking an amendment from WEFO in respect of the latter at the time our work was undertaken.

The Authority's arrangements

There is still scope for improvement in the arrangements in place for the production and submission of grant claims.

- The data contained in the report confirms that there are a number of recurring issues which need to be addressed by the Authority to ensure the accuracy of the grants claims submitted to the grant paying bodies:
 - Staff should be reminded that for a number of grants, there are specific rules for obtaining approvals from the Grant Paying Body for virements above specified levels and for the carry forward of balances between years. If there is any concern as to the interpretation of these rules, the Authority should obtain (written) clarification from the Grant Paying Body early in the year.
 - Where qualifications and significant adjustments arise in one year, the Authority should consider putting in place a system to ensure that the staff member(s) responsible for the claim checks to ensure that the matter has been dealt with correctly in subsequent years.
 - In relation to the recording of matched funding for WEFO claims, the Authority should consider whether it would be appropriate to hold training sessions to ensure that the forms can be correctly completed.
 - A number of claim forms contained errors that could have been readily discovered by a numerical or general logic check of the form before it was submitted for audit. An arithmetical check of the forms should be undertaken before submission to the auditor and a checklist completed to evidence that this has been done. Such a check and signature is set out on the newly recommended WAO checklist for all grants claims.

Fees

Our overall fee for certification of grants and returns for 2010-11 is £82,242 which was higher than the fee for the work for 2009-10 (£77,062).

- This was occasioned mainly by the addition of 3 more reports to WEFO than in the previous year. Due to the higher level of testing and more complex format of reporting, the costs associated with these claims are generally higher than those for the bulk of the other claims and returns we certify.

Summary of certification work outcomes

1. Detailed on the following pages is a summary of the key outcomes from our certification work on the Authority's 2010-11 grants and returns, showing where either audit amendments were made as a result of our work, where we had to qualify our audit certificate or where we had to draw matters to the attention of the WEFO in respect Structural Programme Funding claims. Adjusted amounts are shown as + or – in relation to amounts due to or from the Authority.
2. A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

Key information for 2010-11

Overall, we undertook work on 39 grant claims and returns and we certified 38 of these:

17 certificates were unqualified with no adjustment

4 were unqualified but required a minor adjustment

1 was unqualified but required a significant adjustment

1 required a qualification to our audit certificate and an adjustment

12 required a qualification to our audit certificate

1 report to the Welsh Funding Office drew no matters to the attention of that body

3 reports to the Welsh European Funding Office drew matters to the attention of that body

1 claim has been audited but the certificate awaits submission to the Welsh Government (see details above)

Ref – Para 9	CI Ref	Grants and returns	Claim due	Claim received	Qualified certificate	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)	Comments to WEFO included in report	Unqualified certificate
N/A	BEN01	Housing and Council Tax Benefits	31/05/11	02/06/10					1
1	CIV41	Safer Communities Fund	30/09/10	01/10/10			£123.26		1
2	EDU14	Better Schools Fund	31/07/10	07/07/10	1				
N/A	EDU17	School buildings improvement grant (x2)	25/07/10	07/07/10					2
3	EDU43	Learning Pathways	30/09/10	07/07/10	1				
4	EYC01	Flying Start	30/09/10	30/09/10			£ Nil		1
N/A	EYC14	Cymorth	30/09/10	30/09/10					1
5	EUR01	WEFO Structural Funds (x4)	N/A	N/A				3	1
N/A	HC02	Substance Misuse Action Plan Fund	30/09/10	07/07/10					1
N/A	HC03	Mental handicap and illness strategy	31/08/10	09/09/10					1
N/A	HLG01	Pooled Budget Memoranda (x2)	13/05/11	25/05/11					2
N/A	HLG13	Joint Working Special Grant	30/09/10	30/09/10					1
6	LA01	NNDR Final Contributions	31/05/10	31/05/10		£-22,570			1
N/A	LA12	Sustainable Waste Management	30/09/10	06/08/10					1
N/A	PEN05	Teachers Pensions	30/06/10	24/06/10					1
7	RG02	Communities First (x10)	31/07/10	06/08/10	7		£ Nil		3

N/A	SOC07	Social Care Workforce Dev Programme	30/09/10	09/09/10					1
N/A	SOC09	Performance Management Development Fund							1
8	SOC27	Community Equipment	30/09/10	23/09/10			£ -72		1
N/A	SOC28	Promoting Independence & Wellbeing	30/09/10	30/09/10					1
9	TRA15	Transport Grant	31/08/10	03/09/10	1				
10	TRA 23	Free Concessionary Fares	31/10/12		1				
N/A	TRA25	Capital Road Maintenance Fund	30/09/10	30/09/10					1
11	LD 02	Land drainage	24C *	21/10/11	1				
TOTAL					12	1	4	3	23

* means within 24 months of completion of contract

This table summarises the key issues behind each of the adjustments, qualifications or matters for the attention of WEFO that were identified on pages 13 to 14.

Ref	Summary observations	Amendment
1	<p>Safer Communities Fund (CIV 41)</p> <ul style="list-style-type: none"> A minor adjustment was made to the original claim form in order to allow the Authority to claim a further £123.26. The amount on the original claim had restricted the claim to below the amount allocated by the Welsh Government. This was corrected by the adjustment 	£123
2	<p>Better Schools Fund (EDU14)</p> <ul style="list-style-type: none"> The instructions for the Grant required the Authority to spend at least 15% (£160,829) of its total allocation on Priority 2 expenditure. Due to an overall under spend of grant against allocation, only £147,821.62 was spent on expenditure under the Priority 2 heading. As the 15% of the allocation was therefore not achieved, we were required to issue a qualification letter. 	£ Nil
3	<p>Learning Pathways (EDU43)</p> <ul style="list-style-type: none"> An invoice for £6,331.12 of IT equipment showed a tax point date of 1 April 2011 and also stated that the despatch date was 1 April 2011. However, we were also provided with a delivery note for the IT equipment from the manufacturing company which was dated 25 March 2011 but showed a delivery address of a Computer Express company in Ashford, Kent. This latter document contains a Bridgend Council Borough Council stamp (Corporate Services IT Department) dated 1 April 2011. However the stamp does not specify this date as specifically being the date on which the goods were received. Accordingly, a qualification letter was issued on the grounds of uncertainty as to whether the expenditure was correctly included in the financial year 2010-11. 	£Nil
4	<p>Flying Start (EYC01)</p> <ul style="list-style-type: none"> The Flying Start revenue grant claim was adjusted due to the fact that on the original claim, £80,000 had been allocated to the 'Childcare' heading rather than to the correct 'Parenting' heading. There was no overall impact on the amount of grant claimable by the Authority. 	£Nil

Ref	Summary observations	Amendment
5	<p>WEFO Structural Funds – Accountants’ Reports (EUR01)</p> <ul style="list-style-type: none"> The following matters were brought to the attention of WEFO in the Accountants’ reports issued by KPMG. As the reporting accountants are required only to bring matters to the attention of WEFO, there has been no impact on the overall amount included in each of the claims. <i>Project 80256 – Bridgend Town Centre.</i> Bridgend CBC had defrayed expenditure of £25,000 on the project and a third party had defrayed a further £25,000 on the project by way of match funding. However, the £25,000 spent by the third party had not been included in the gross expenditure on the project as shown on the claim form and the £25,000 defrayed by the Authority was recorded as £12,500 defrayed by the Council and £12,500 defrayed by various private sector match funders. Although we understand that the treatment made by Authority was that recommended by WEFO, it leaves the match funding under stated by £25,000 and the expenditure defrayed by BCBC under stated by £12,500. We have therefore included a note in our report explaining the position. <i>Project 80583 – SE Wales Interchange Package 2.</i> Expenditure of £970.89 had been included on the claim twice, once as a separate staff costs and once in a total amount of £6,179.30. A comment was included in our report identifying the double counting. <i>Project 80583 – SE Wales Interchange Package 2.</i> The claim included expenditure of £1,694.87 shown as ineligible. The expenditure related to eligible labour costs and, therefore, should not have been shown as ineligible. As an amendment for this can only be made by WEFO, the Authority was in discussions with WEFO at the time the report was issued in order to seek a correction. We therefore highlighted the position in our report. <i>Project 80616 – Prevent 14 – 19.</i> £164,950 worth of match funding expenditure had been excluded from the gross project expenditure although it had been shown as income to the project. This resulted in the amount of grant claimed by the Authority being £105,170 under the level that should have been claimed. There was, therefore, a risk to Bridgend Council of a delay in receiving this funding or, if the error had not been identified by the end of the project, that this amount would not have been claimed by the Authority at all. The error was noted in our report. 	£Nil
6	<p>NNDR (LA01)</p> <ul style="list-style-type: none"> A significant adjustment to the claim form was required as the claim had been completed without including receipts in the year relating to the 3% deferred balance brought forward from 2009-10. This amounted to £-22,573. Adjustments of minor amounts to 5 other lines on the return resulted in a net difference to the total of £3. This was the second year in which an adjustment was required in respect of the 3% deferred payments. 	£- 22,570

Ref	Summary observations	Amendment
7	<p>Communities First (RG02)</p> <ul style="list-style-type: none"> 7 of the 10 Communities First grants were qualified on the same point. The Certification Instructions for each provided that for every programme, <i>“The Grant Recipient is able ‘as of right’ to vire up to £5,000 out of the salary heading in any one financial year.”</i> In each of the seven cases, an amount in excess of £5,000 had been vired out of the salaries heading without any approval to the excess from the Welsh Government. We understand that this was due to a misunderstanding and it was noted that no more than £5,000 had been vired from any sub heading (as opposed to ‘heading’) in any programme. However, due to the error, a qualification letter was required for each programme where the error occurred. The Programmes for which the qualification letters were issued were Brackla, Morfa, Cornelly, Sarn, Llangeinor, Central Team and Caerau. An adjustment to the certificate of expenditure for the Communities First Programme at Blackmill was required as two sums (£5,150 and £6,180) had been analysed against the wrong expenditure headings and required reversing. There was no overall impact on the amount of grant claimable by the Authority. 	£Nil
7	<p>Community Equipment (SOC27)</p> <ul style="list-style-type: none"> A minor amendment was required because the original form declared the amount received from the Welsh Government as £48,019. This was the amount the Welsh Government allocated to the project but, due to a transposition error, it actually forwarded £48,091 to the Authority. The adjustment was required to reflect the amount actually received. 	£-72
9	<p>Transport Grant (TRA 15)</p> <ul style="list-style-type: none"> We issued a qualification letter for the Transport Grant on two grounds, neither of which had an impact on the overall amount claimed by the Authority: <ul style="list-style-type: none"> Approval had only been provided to the Authority for virement of £52,000 between schemes when a total amount of £80,000 had been vired. In addition, confirmation from the Welsh Government for the carry forward of funds into 2011-12 was not provided until after the date that the Authority signed the claim. Under the new Wales Audit Office instructions, we were required to report this as a qualification. 	£Nil

Ref	Summary observations	Amendment
10	<p>Free Concessionary Fares (TRA 23)</p> <ul style="list-style-type: none"> • We issued a qualification letter in accordance with the Welsh Government expectation that at least 98% of data supporting concessionary fare journeys should be in the form of SmartCard data. In total, the SmartCard data supplied to Bridgend represented approximately 92% of the total concessionary journeys with the percentage per supplier varying from 92.2% to 98.9%. We note that, in this case, the Authority is reliant on the suppliers' recording systems for the nature of the data it receives. • The Council should encourage suppliers to comply with Welsh Government policy on smartcard data. 	£ Nil
11	<p>Land Drainage Scheme (LD 02)</p> <ul style="list-style-type: none"> • We issues a qualification letter on the Land Drainage claim on a number of grounds, none of which had an immediate impact on the value of the claim: <ul style="list-style-type: none"> ○ Contract work relating to the Shoemaker's Row culvert totalling £174,192.59 had been carried out without the relevant number of tenders being obtained. The Welsh Government requirements are that a minimum of three tenders be obtained for contracts in excess of £10,000 and six for contracts over £60,000 (unless the work is of a highly specialised nature when approval from the Welsh Government may be sought for a departure from this procedure). The initial work on the contract was £36,000, which had been approved by the Council's Cabinet using delegated powers and subsequent extensions had been approved in the same manner. However, the Council did not obtain tenders for either the initial work or the extensions and neither was it able to provide evidence of any approval from the Welsh Government for a departure from its specified procedures. ○ The Council was unable to provide a copy invoice for expenditure of £6,450 incurred on 11 March 2005. ○ Due to a misunderstanding, the amount of the claim submitted was £3.62 in excess of the grant awarded of £290,000 ○ The Certification Instruction provides that the audited claim should reach the Welsh Government within 24 months of completion of the works by a contractor. This was not achieved due to the late receipt of the claim by the Auditor. 	£ Nil
Total effect of amendments to the Authority		-£22,519

Other matters arising from audit testing

Ref	Matter arising
1	<p>NNDR (LA01)</p> <ul style="list-style-type: none">• Our work indicated that a charitable care centre had been removed from the rating list in order for building renovations to be undertaken. When it was returned to use by the charity, the building was not added back to the 'active property' list and thus no rates charged at the time of the return to use. It was some 5 years before the error was discovered and, as a charity, the user of the premises was unable to pay for the 5 years outstanding rates and sought discretionary rate relief which was granted. Without a system to ensure that all property which is temporarily removed from the 'active property' list is properly returned to that list when the work is complete, the Authority risks losing income.• Mandatory charitable relief is given at 80% of the total rate charge on certain properties but discretionary relief may be applied to the additional 20%. Once these reliefs are issued, there does not appear to be a system in place to review or check whether the circumstances which gave rise to the relief, particularly the discretionary element, remain appropriate. Our testing identified one building where no review had been undertaken since the initial issue of the relief in 2001. As a result, relief may be being provided in circumstances for which that relief is no longer appropriate• The forms for applications for discretionary rate relief are retained by the Council by reference to the name of the organisation utilising the property and account number. They contain details of the rateable value at the time they were signed but do not contain the name of the property on which the relief is given. This does not provide for an easy trail in linking the decision on the relief to the current property and rateable value. This could be improved by including the property address on the application form for discretionary relief.
	<ul style="list-style-type: none">• Documentary Evidence of control system checks<ul style="list-style-type: none">• A matter that has been raised in previous annual reports is the fact that on several occasions, as part of our testing of internal controls, we were advised that internal checks by specified staff members had been undertaken. However, there was no evidence of the check on the documents on file. Under the new grant audit strategy, controls process testing must be undertaken for all grant claims audits and the level of subsequent testing depends on the assessment of the nature, accuracy and rigour of that controls process. If evidence is not available to confirm that the stated test has been carried out, further testing may well be required resulting in an increase in cost to the authority.

Recommendations

We have given each recommendation a risk rating. We will follow up these recommendations during next year's audit.

Priority 1	Priority 2	Priority 3
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. <i>We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</i>	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. <i>You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</i>	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. <i>These are generally issues of best practice that we feel would benefit you if you introduced them.</i>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Claim not prepared correctly</p> <ul style="list-style-type: none"> Expenditure incurred but allocated to wrong heading Expenditure restricted to less than allocation allowed by Welsh Government Expenditure included which relates to prior year Expenditure/ income omitted which relates to year of claim Items giving rise to Auditor's amendments in previous year not taken into account in current year leading to similar adjustments being required again (particularly relevant to NNDR claims) Match Funding expended on projects not properly included on WEFO claims. 	<ul style="list-style-type: none"> The Authority has not complied with the Terms and Conditions of grant Time and cost incurred by the Authority in discussing and providing an amended claim Income which is due to the Authority may not be claimed Expenditure over claimed may be reclaimed by the Welsh Government 	<p>R1 Claim forms should be correctly completed for each grant. A <i>Grant Checklist</i> should be completed, reviewed and signed off for each claim.</p> <p>R2 In respect of NNDR claims in particular, the effect of the deferred 3% from previous years should be checked through the accounts before the submission of the claim form to the auditors</p> <p>R3 In respect of WEFO claims, the Authority should discuss with WEFO the possibility of obtaining training or instructions in respect of the requirements for recording Match Funding</p>	1		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Expenditure</p> <ul style="list-style-type: none"> Value of spend on specified activities not in line with that in agreed plan. 	<ul style="list-style-type: none"> The Authority has not complied with the Terms and Conditions of grant Grant claims may be qualified incurring additional auditor time and cost Grant may be reclaimed by the Welsh Government 	<p>R4</p> <p>Where a minimum level of spend for a specific grant activity is required by the Welsh Government, this amount should be noted at the outset and expenditure monitored against that requirement throughout the year.</p>	<p>1</p>		
<p>Timely Welsh Government approval not sought</p> <ul style="list-style-type: none"> For carry forward or brought forward expenditure. For virements between projects within grant claims above a specified level 	<ul style="list-style-type: none"> The Authority has not complied with the Terms and Conditions of grant Grant claims may be qualified with associated additional time cost incurred as result of need to discuss and issue qualification letters. Grant may be reclaimed by the Welsh Government Possible reduction in future years' grant 	<p>R5</p> <p>Approval should be sought and written agreement received from the grant-paying body prior to the submission of grant claims for all required changes to plans/proposals.</p> <p>This is now more important as qualifications will be required by the Wales Audit Office where approvals are not obtained by the Authority before the date on which the claim form is signed.</p>	<p>1</p>		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Timely receipt of claims</p> <ul style="list-style-type: none"> • Delay in provision of claims • Lack of advance warning of WEFO reporting requirements 	<ul style="list-style-type: none"> • The Authority has not complied with the submission deadlines specified in the Terms and Conditions of grant • In respect of Pooled Budgets, the Authority and relevant partner for the scheme could be including unaudited, and possibly incorrect, figures in their final accounts as a result of this delay. • Difficulty of booking or re-booking audit staff can lead to delays in completing reporting. This could involve the Authority in the time involved in seeking formal delays to completion dates. 	<p>R6 To avoid problems, claim forms should be submitted on a timely basis.</p> <p>R7 Once a WEFO project is contracted for by the Authority and expenditure commences, a timetable for the submission of the first and annual claims should be agreed with WEFO and advised to the Reporting Accountant.</p>	<p>2</p>		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>In relation to NNDR claims:</p> <ul style="list-style-type: none"> No regular checks undertaken of buildings not on 'active property' list No regular reviews of discretionary reliefs once granted Application Forms for discretionary relief do not include a reference to the address of the property for which relief is being sought 	<ul style="list-style-type: none"> Buildings may have been returned to use but rates not collected due to omission from the 'active property' list. This could result in a potential loss of income. Circumstances may have changed and therefore the relief, as awarded, may no longer be appropriate. In such an instance, the Authority could be awarding relief for which there is no appropriate basis. The lack of this information results in a poor audit trail making it difficult for the auditor to complete the required checks. This can lead to increased costs 	<p>R8 Annual reviews of all items removed from the 'active property' list should be instituted in order to ensure that all relevant properties returned to the list. This review should be evidenced in writing</p> <p>R9 Regular (possibly every three years) checks should be undertaken on the properties to which discretionary reliefs have been awarded in order to ascertain whether the original basis for the provision of that relief is still relevant.</p> <p>R10 The address of the property for which discretionary relief is being sought should be included on the claim form</p>	<p>2</p>		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Evidence of Control Procedures</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> If the auditor has no evidence that an internal check has been conducted, they may be required to undertake further testing. This introduces an additional time cost for the Authority. 	<p>R 11 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>		

Fees

Our overall fee for the certification of grants and returns has increased in 2010-11 in comparison with the previous year. This can, in the main, be attributed to the extra work needed for the increase in the number of WEFO claims, the additional time incurred in relation to the extra qualifications reported this year and the need this year under the new WAO strategy for all claims to be subject to substantive testing.

Breakdown of fee by grant/return	2010-11 - £	2009-10 - £
Housing and Council Tax Benefits (BEN01)	10,469	16,572
Safer Communities Fund (CIV41)	1,096	1,124
WEFO – 80256 - Bridgend Convergence Fund (EURO1)	3,587	3,385
WEFO – 80583 – S Wales Interchange (EURO1)	4,964	0
WEFO – 80616 – Prevent 14 - 19 (EURO1)	3,541	0
WEFO – 80255 - Maesteg (EURO1)	4,268	0
Better Schools Fund (EDU14)	2,267	2,037
School buildings improvement grant (EDU17)	2,704	2,478
Learning Pathways (EDU43)	2,295	1,489
Flying Start (EYC01)	1,828	2,438
Cymorth (EYC14)	1,240	1,902
Substance Misuse Action Plan Fund (HC02)	2,083	1,574
Mental Handicap and Illness Strategy - Resettlement (HC03)	720	1,978
Pooled Budgets x 2 (HLG01)	3,828	4,037

Joint Working Special Grant (HLG13)	1,808	1,405
NNDR Final Contributions (LA01)	4,964	4,359
Sustainable Waste Management (LA12)	1,546	1,123
Teachers Pensions (PEN05)	2,070	3,171
Communities First (RG01) *	2,217	1,076
Communities First (RG02)	9,038	10,625
Physical Regeneration Fund (RG73)	0	3,027
Social Care Workforce Dev Programme (SOC07)	1,875	1,261
Performance Management Development Fund (SOC09)	1,808	0
Community Equipment (SOC27)	1,854	1,798
Promoting Independence & Wellbeing (SOC28)	1,431	1,302
Transport Grant (TRA15)	1,526	3,056
Concessionary Fares (TRA23)	2,295	2,656
Capital Road Maintenance Fund (TRA25)	2,001	1,945
Total fee	£82,242	£77,062

* Work completed but certificate not yet issued at request of Welsh Government.

