



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2015-16 – Bridgend County Borough Council

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Summary report

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
- 2 We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Bridgend County Borough Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
- 3 We have completed the audit and conclude that the Council had adequate arrangements in place for the submission of its 2015-16 grant claims with all of them being submitted on time, but that there is scope for improvement in the arrangements for the production of grant claims. We will work with the Council to support these improvements for 2016-17. Our conclusion for 2015-16 is based on the following overall findings:
 - the Council set up an electronic working paper file to support the audit of claims and returns but there is scope for improvements in the overall quality and completeness of primary working papers, and
 - there is scope for improvements in the Council's arrangements to ensure the accuracy and completeness of claims and returns
- 4 For 2015-16 we certified 15 grant claims and returns (23 in 2014-15). The reduction is due to the fact that there were no WEFO claims to audit this year and two claims were removed from the grant audit regime (School Effectiveness Grant and Sustainable Waste Management Grant).
- 5 The Council submitted all of its 2015-16 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of some £58,145 (£40,724 2014-15). Overall, our work resulted in a net reduction of £144,208 in grant claimable in respect of 2015-16 on a total grant value of £121.2m (0.12% of total grant value). The actual breakdown is shown in **Exhibit 1**:

Exhibit 1: Breakdown of claims

	£	Additional comments
Additional Grant to BCBC	10,272	
Grant to be Clawed Back BCBC	(1,483)	
NNDR Adjustment – Welsh Government	(152,997)	Nil impact on BCBC's Council Fund
Total	(144,208)	

6 1:3 of the claims were qualified; this is slightly above the Welsh average of 1:4 for 2015-16.

Headlines

Exhibit 2: report headlines

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2015-16 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, to certify grant claims made by the Council.• For 2015-16, we certified 15 grants and returns with a total value of £121.2 million.• At the start of our grant audit work for 2015-16, we met with the grant co-ordinator and explained our proposed plan for completing grant work in the coming months.• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management, so that we can work together to identify areas where improvements can be made to the processes in place.
Timely receipt of claims	<ul style="list-style-type: none">• Our analysis shows that 100% of grants received during the year were received by the Council's deadline. This is consistent with the 2014-15 audit year.
Certification results	<p>We issued unqualified certificates for ten grants and returns but qualifications were necessary in five cases (33%)</p> <p>The main reasons for grant qualifications can be summarised as follows:</p> <ul style="list-style-type: none">• eligibility of expenditure in relation to the scheme terms and conditions and grant certification instructions; and• issues around the apportionment of costs claimed.

Audit adjustments	<p>Adjustments were necessary to 14 of the Council's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> • There was only one significant adjustment (ie over £10,000). An adjustment of £-152,997 was made to the Non-Domestic Rates Return due to an incorrect calculation of the bad debt provision. • The net adjustment of the 14 grants is a reduction of £144,208 in funds payable to the Council. Excluding the significant adjustment to the Non-Domestic Rates Return, the net adjustment of the other 13 grants is an increase of £8,789 to the Council.
The Councils arrangements	<p>The Council's arrangements for preparing its grants and returns and supporting our certification work need improvement</p> <ul style="list-style-type: none"> • Grant Officers should be reminded of the importance of providing adequate working papers and ensuring claim accuracy. • The Council should improve systems in place to ensure that sufficient evidence is retained to support the eligibility and apportionment of expenditure claimed
Fees	<p>Our overall fee for certification of grants and returns for 2015-16 is £58,220 which was above our original estimate of £38,724 (which was based on the previous year's fee charged by KPMG)</p> <p>The main reason for the increase was the number of the issues identified during our certification of grants and returns as detailed in paragraph 9 below.</p>

Summary of certification work outcomes

- 7 Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2015-16 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.
- 8 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.

Exhibit 3: key information for 2015-16

Key information for 2015-16

Overall, we certified 15 grants and returns:

- One was unqualified with no amendment
- Nine were unqualified but required some amendment to the final figures
- Five were qualified and required some amendment to the final figures

Exhibit 4: summary of key outcomes

Ref – Para 9	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate with no adjustments
1	Housing Benefit (BEN01)	30/4/16	28/4/16	no	1		£+43	
	Transitional SBIG and 21 st Century Schools (EDU18)	30/9/16	30/9/16	no				1
2	Flying Start (EYC01)	30/9/16	30/9/16	no	1		£nil	
3	Flying Start Capital (EYC02)	30/9/16	30/9/16	no			£+2,466	
4	Families First (EYC14)	30/9/16	30/9/16	no			£nil	
5	Assisted Recovery in Communities (ARC) (HLG01)	29/4/16	29/4/16	no			£-495	
6	Integrated Community Services (HLG01)	29/4/16	29/4/16	no			£-53	
7	NDR Non-Domestic Rates Return (LA01)	27/5/16	27/5/16	no		£-152,997		
8	Teachers' Pension Return (PEN05)	31/5/16	31/5/16	no			£nil	
9	Communities First Upper Bridgend (RG03)	31/7/16	31/7/16	no	1		£+843	

Ref – Para 9	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate with no adjustments
10	Communities First Mid Bridgend (RG03)	31/7/16	31/7/16	no	1		£+1,655	
11	Communities First Lower Bridgend (RG03)	31/7/16	31/7/16	no	1		£+5,265	
12	Social Care Workforce Development Grant (SOC07)	30/9/16	30/9/16	no			£nil	
13	Local Transport Grant (TRA15)	30/9/16	30/9/16	no			£nil	
14	Free Concessionary Travel (TRA23)	30/9/16	30/9/16	no			£-935	
	Total				5	1	14	1

9 This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 9 and 10.

Exhibit 5: summary of key issues

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy return (BEN01) – claim qualified and amended</p> <ul style="list-style-type: none"> • The return was qualified because of an underpayment made to one claimant as a result of an incorrect value entered in the HB system for the claimants earned income. Further testing did not highlight any additional underpayments due to the same error. • In addition, an amendment was made to the claim due to an overpayment made to a claimant as a result of the claimant's earned income being incorrectly calculated (total earned income evidence provided covered a period of six weeks but had been assessed for HB purposes as only relating to four weeks). Again, further testing did not highlight any additional overpayments due to the same error. 	£+43
2	<p>Flying Start Revenue (EYC01)</p> <p>The claim was qualified because:</p> <ul style="list-style-type: none"> • Salary costs for two employees were fully charged to the claim but supporting documentation indicated that only part of their duties related to the Flying Start scheme and therefore only part of their salary costs should be charged. As it was not possible to determine a reasonable apportionment of the salary costs as no records were maintained, this issue was included in the qualification letter (recommendation 3). • Training costs' expenditure was claimed which related to 2016-17. The scheme terms and conditions state that payments in advance are to be excluded from the claim (recommendation 3). • The CFO certificate was also re-signed by the officer who had signed the original offer letter as required by the certification instructions. The original claim provided for audit had not been signed by the correct officer (recommendation 1). 	£nil

Ref	Summary observations	Amendment
3	<p>Flying Start Capital (EYC02)</p> <ul style="list-style-type: none"> The claim was amended to include management costs associated with an invoice which had been accrued at year-end. As the invoice was still awaiting processing through the 'open contractor' system at the year-end, the on-costs had not been automatically included. 	£+2,466
4	<p>Families First (EYC14)</p> <ul style="list-style-type: none"> The detailed schedule of projects supporting the claim had been completed with some expenditure figures rounded to the nearest £ and others included to the penny. The schedule was amended so that all expenditure figures were included to the penny and therefore agreed to actual expenditure per the ledger (recommendation 1). The CFO certificate on the claim was also re-signed by the officer who had signed the original offer letter as required by the certification instructions. The original claim provided for audit had not been signed by the correct officer (recommendation 1). 	£nil
5	<p>Assisted Recovery in Communities (HLG01)</p> <ul style="list-style-type: none"> The return was amended to remove an internal recharge which was ineligible (recommendation 3). 	£-495
6	<p>Integrated Community Services (HLG01)</p> <ul style="list-style-type: none"> The return was amended to correct an internal recharge which had been incorrectly calculated. 	£-53
7	<p>NDR Non-Domestic Rates Return (LA01)</p> <ul style="list-style-type: none"> The claim was amended to correct the entry for the year-end bad debt provision which had been incorrectly calculated. (Note that the result of any change to the bad debt provision affects the income to Welsh Government [WG] but does not affect the amount of funding due to BCBC from WG.) In addition, a further amendment was required to remove an amount of income which was not in respect of the claim. 	£-152,997

Ref	Summary observations	Amendment
8	<p>Teachers' Pension Return (PEN05)</p> <ul style="list-style-type: none"> • The claim was amended for a number of transposition and addition errors. These had no overall impact on the claim value (recommendation 1). 	£nil
9	<p>Communities First Upper Bridgend (RG03)</p> <ul style="list-style-type: none"> • The claim was qualified for the following: <ul style="list-style-type: none"> – The inclusion of third party expenditure for which it was not possible to confirm that the expenditure fully related to 2015-16 (recommendation 4). – The inclusion of IT recharges which were deemed to be ineligible based on the guidance set out in the certification instructions. Council officials have told us that WG have subsequently notified the Council that they have deemed these costs eligible (recommendation 3). • The claim was amended for the following: <ul style="list-style-type: none"> – the incorrect apportionment of salary costs across the three Communities First claims (recommendation 2); and – correction of the expenditure value on one category of claim expenditure to limit actual spend to the approved allocation as required by the claim completion guidance (recommendation 3). 	£+843

Ref	Summary observations	Amendment
10	<p>Communities First Mid Bridgend (RG03)</p> <ul style="list-style-type: none"> • The claim was qualified for the following: <ul style="list-style-type: none"> – The inclusion of third party expenditure for which it was not possible to confirm that the expenditure fully related to 2015-16 (recommendation 4). – The inclusion of IT recharges which were deemed to be ineligible based on the guidance set out in our certification instructions. Council officials have told us that WG have subsequently notified the Council that they have deemed these costs eligible (recommendation 3). – Travel and subsistence expenditure for one staff member had not been restricted to the cap of £1,000 per staff member per cluster as set out in the Communities First scheme guidance (recommendation 3). • The claim was amended for the following: <ul style="list-style-type: none"> – the incorrect apportionment of salary costs across the three Communities First claims (recommendation 2). 	£+1,655
11	<p>Communities First Lower Bridgend (RG03)</p> <ul style="list-style-type: none"> • The claim was qualified for the following: <ul style="list-style-type: none"> – The inclusion of third party expenditure for which it was not possible to confirm that the expenditure fully related to 2015-16 (recommendation 4). – The inclusion of IT recharges which were deemed to be ineligible based on the guidance set out in our certification instructions. Council officials have told us that WG have subsequently notified the Council that they have deemed these costs eligible (recommendation 3). • The claim was amended for the following: <ul style="list-style-type: none"> – the incorrect apportionment of salary costs across the three Communities First claims (recommendation 2). 	£+5,265

Ref	Summary observations	Amendment
12	<p>Social Care Workforce Development Grant (SOC07)</p> <ul style="list-style-type: none"> The claim was amended as some sections of the claim form had not been completed. These changes had no impact on the overall expenditure claimed (recommendation 1). 	£nil
13	<p>Local Transport Grant (TRA15)</p> <ul style="list-style-type: none"> The claim was amended as the figure included for grant received from the Welsh Government did not agree with the ledger or remittance advices (recommendation 1). 	£nil
14	<p>Free Concessionary Travel (TRA23).</p> <ul style="list-style-type: none"> The claim was amended as the administration costs calculation was incorrect. The claim completion guidance required the calculation to be based on the number of bus passes in existence at 31 March 2016 but the calculation had been completed on using the average of the passes in circulation at the end of each quarter 	£-935
	Total effect of amendments	£-144,208

Recommendations

- 10 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.

Exhibit 6: recommendations' risk rating

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. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	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.	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.

Exhibit 7: issues

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Annual claim not prepared correctly, eg:</p> <ul style="list-style-type: none"> • arithmetic incorrect • claim form not completed in accordance with completion instructions; • claim form not fully completed; • payments on account/grant income received incorrect; and • incorrect CFO signature included on claim form. 	<p>Annual claims may be qualified or amended. The Council may be claiming grant for instalments already received.</p>	<p>R1 Annual claim forms completed correctly and independently reviewed by a senior officer. The Grant Checklist should be completed and reviewed for each claim submitted for audit.</p>	<p>2</p>	<p>Noted. Claims will be checked to ensure that they cast and are completed in accordance with instructions. The Council has a number of delegated Financial signatories for claims but reference will be made to grant conditions to ensure that signatories correspond to the grant requirements.</p>	<p>Finance Managers for 2016/17 final grant claims</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Lack of supporting evidence to support the claim for funding, eg:</p> <ul style="list-style-type: none"> Expenditure not apportioned correctly. 	<p>Grant may be clawed back by the Welsh Government. The Council may not have claimed its full entitlement.</p>	<p>R2 The Council should put in place systems and controls to ensure that the claim is fully supported by source documentation such as calculation of apportionments.</p>	<p>1</p>	<p>Noted. All actual expenditure is fully supported but in the small number of cases where apportionment is needed working papers will be put in place to substantiate the methodology.</p>	<p>Finance Managers for 2016/17 final claims</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Unapproved/ ineligible expenditure included, eg:</p> <ul style="list-style-type: none"> • value of activity exceeds that in agreed plan • expenditure included which is not in approval letter/plan • activity outside the claim period • expenditure items fully included when only part relates to the project • expenditure not restricted to limits set out in terms and conditions 	<p>Grant may be reclaimed by the Welsh Government. If qualified, any over claim could be recovered by the Welsh Government.</p>	<p>R3 Only eligible expenditure, that's incurred within the claim period, should be included within the claim. Welsh Government advice should be sought prior to claim completion if in any doubt of the eligibility of expenditure.</p>	<p>1</p>	<p>Noted. A number of items deemed ineligible by audit have been approved as eligible by Welsh Government, written confirmation was received subsequent to the audit. Where specific approval has been received we would expect this to over-ride the Certification Instructions and would not anticipate this to be an audit qualification. In other respects ineligible expenditure should be excluded</p>	<p>Finance Managers for 2016/17 final grant claims</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Lack of monitoring of third parties, eg:</p> <ul style="list-style-type: none"> No evidence available to confirm that the third party had spent its allocation in accordance with the terms and conditions of the grant. Grant paid to third parties on expenditure where it was not clear that the expenditure related to the scheme or the claim period. 	<p>Grant may be clawed back by Welsh Government.</p>	<p>R4 The Council must have adequate procedures in place to satisfy itself, its auditor and the grant-paying body that only eligible expenditure incurred by third parties is included in the claim. Such procedures could include obtaining independently certified statements from third parties, a payments monitoring system or a system of spot checks performed by the Council on the third party.</p>	<p>1</p>	<p>Noted. Grant procedures will set out clearly the audit requirements upon Third party recipients of grant funding.</p>	<p>Finance Manager, Financial Control & Closing – Jun 2017</p>

Fees

- 11 Our overall fee for the certification of grants and returns was £58,145. This was higher than the original estimate of £38,724 within the regulatory plan which was based on the previous year's audit fee charged by KPMG. The increase was due to issues identified during our certification work.

Exhibit 8: fees

Breakdown of fee by grant/return	2015-16	2014-15
Housing Benefits (BEN01)	£11,291	£11,009
Transitional School Buildings Improvement Grant & 21 st Century Schools (EDU18)	£1,131	£1,032
WEFO Convergence Claims x 3 (EUR01)	-	£7,636
Flying Start Revenue Grant (EYC01)	£3,381	£2,577*
Flying Start Capital Grant (EYC02)	£2,979	
Families First (EYC14)	£3,596	£2,121
Pooled Budgets x 2 (HLG01)	£4,013	£1,133
National Non-domestic Rates Return (LA01)	£3,493	£3,275
Sustainable Waste Management (LA12)	-	£776
Teachers' Pension (PEN05)	£2,923	£1,643
Communities First x 3 (RG03)	£12,051	£1,924
Derelict Land Grant (RG15)	-	£470
Social Care Workforce Development Programme (SOC07)	£2,391	£1,536

Breakdown of fee by grant/return	2015-16	2014-15
Local Transport Grant (TRA15)	£2,466	-
Free Concessionary Travel (TRA23)	£3,567	£1,889
Planning, admin & reporting	£4,938	£3,703
Total fee	£58,220	£40,724

* The figure for 2014-15, combined the revenue and capital flying start claims.

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