



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2016-17 – **Bridgend County Borough Council**

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# Contents

## Summary report

Summary	4
Headlines	5
Summary of certification work outcomes	7
Recommendations	15
Fees	19

# 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 (referred to as grant claims, hereafter).  
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?'
- 2 We have completed our audits of the 2016-17 grant claims and conclude that the Council has generally sound arrangements for the preparation and submission of its grant claims. We did however find numerous errors in the Council's processing and payment of housing benefit to individual claimants. Overall, we found that the Council:
  - worked closely with us to ensure that all claims and returns were submitted on time and supported by adequate working papers;
  - has improved the quality and accuracy of its claims, evidenced by a reduction in the number of audit qualifications and amendments; although
  - needs to significantly improve the accuracy of its housing benefit payments to individuals and, in turn, the accuracy of its housing-benefit-subsidy grant claim.
- 3 For 2016-17 we certified 14 grant claims, being one fewer than the 15 grant claims audited in 2015-16. This reduction is due to the fact that:
  - the three 2015-16 'communities first' grant claims were merged into one claim for 2016-17; and
  - there was one new grant claim, 'coast protection' introduced for 2016-17.
- 4 The Council submitted all of its 2016-17 grant claims on time for our audit. The total cost of the 2016-17 audits is £75,907 (£58,220 for 2015-16). The 2016-17 audits resulted in an overall net reduction of £10,010 in the Council's eligible costs although overall an increase of £75 in grant income due to the Council (for 2015-16 the equivalent figures were a £152,997 reduction in eligible costs and an increase of £8,789 in grant income due to the Council).
- 5 For 2016-17 we qualified one in seven of the Council's claims. This outcome compares favourably with the average for Welsh councils of one in four claims being qualified and demonstrates an improvement on 2015-16 where we qualified one in three of the Council's claims.

# Headlines

## Exhibit 1: Headlines

<b>Introduction and background</b>	<p><b>This report summarises the results of work on the certification of the Council's 2016-17 grant claims</b></p> <ul style="list-style-type: none"> <li>• We audited the Council's grant claims on behalf of the Auditor General for Wales.</li> <li>• For 2016-17 we certified 14 grants with a total value of £123 million.</li> <li>• This report is intended for the members of the Council's Audit Committee and for those officers with responsibility for grant management. It provides a summary of our audit results, with our recommendations to support improvement.</li> </ul>
<b>Timely receipt of claims</b>	<p>The Council provided us with all 14 grant claims on time.</p>
<b>Certification results</b>	<p><b>We issued 12 unqualified audit certificates and two qualified audit certificates</b></p> <p>The reasons for qualifying the two grant claims were:</p> <ul style="list-style-type: none"> <li>• errors in the calculations of housing benefit payments to claimants; and</li> <li>• for the Council's 'free concessionary travel' grant claim, we received an unsatisfactory explanation for one bus route's year-on-year increase in passenger numbers (that exceeded 10%).</li> </ul>
<b>Audit adjustments</b>	<p><b>Audit adjustments were made to six of the Council's grants claims, although only one of them had a financial impact on the grant due to the Council</b></p> <ul style="list-style-type: none"> <li>• There was only one significant adjustment (ie over £10,000). An adjustment of £-10,085 was made to the Non-Domestic Rates Return due to an incorrect calculation of the bad debt provision, albeit it had no impact on grant due to the Council.</li> <li>• There was only one further adjustment (ie under £10,000). An adjustment of £75 (additional grant due to the Council) in total was made to the Housing Benefit Subsidy claim to correct errors. These were errors where the full population of transactions could be tested and the total resulting error confirmed.</li> <li>• The adjustments to the other four grant claims did not have any financial impact on the grant due to the Council.</li> </ul>

<p><b>The Council's arrangements</b></p>	<p><b>The Council has continued to improve its preparation of grants claims, although there is still scope for improvement and a need for significant improvement in the processing of housing benefit claims</b></p> <ul style="list-style-type: none"> <li>• Grant officers should be reminded of the importance of providing accurate and fully completed claim forms.</li> <li>• Grant officers should be reminded of the importance of monitoring fluctuations in spend on grants, particularly on monthly payments to the same supplier. Where significant changes are noted, appropriate explanations should be obtained to justify these variances.</li> <li>• The Council should strengthen the arrangements in place around its housing benefit processes, which should include: <ul style="list-style-type: none"> <li>– ensuring that adequate induction and ongoing training is provided to all housing benefit staff; and</li> <li>– ensuring that management review and oversight is satisfactory, with particular regard to the input of data into the housing benefit system.</li> </ul> </li> </ul>
<p><b>Fees</b></p>	<p><b>Our overall fee for certification of grants and returns for 2016-17 is £75,907, which is higher than our fee estimate of £58,220</b></p> <p>The increase was mainly due to the significant number of issues identified by our audit of the housing benefit subsidy claim. Under the Department for Work and Pensions' rules, our audit findings, and the outcome of the additional reviews undertaken by Council officers, we were required to undertake additional audit testing.</p>

# Summary of certification work outcomes

- 6 **Exhibit 2** sets out a summary of the key outcomes from our audit of the Council's 2016-17 grants claims. The summary shows where audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 7 A qualification means that we identified issues concerning the Council's compliance with a scheme's requirements, which 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.
- 8 Overall:
- seven claims were unqualified with no amendment;
  - five claims were unqualified but required some amendment to the final figures;
  - one claim was qualified without amendment; and
  - one claim was qualified with amendment.

## Exhibit 2: Summary of the outcomes of our audit work

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
NDR Non-Domestic Rates Return (LA01)	26/5/17	26/5/17	no		£-10,085		Yes
Housing Benefit Subsidy claim (BEN01)	30/4/17	27/4/17	no	1		£75	No
21 <sup>st</sup> Century Schools (EDU18)	30/9/17	11/9/17	no				Yes
Flying Start Revenue (EYC01)	30/9/17	5/9/17	no				Yes
Families First (EYC14)	30/9/17	5/9/17	no			£0	Yes

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
Pooled budgets - integrated family support service (HLG01)	28/4/17	28/4/17	no				Yes
Pooled budgets - integrated community services (HLG01)	28/4/17	28/4/17	no				Yes
Pooled budgets - assisted recovery in the community (HLG01)	28/4/17	28/4/17	no				Yes
Land drainage - Porthcawl Town Beach - Design phase (LD03)	31/10/17	19/10/17	no				Yes
Teachers' Pension return (PEN05)	31/5/17	31/5/17	no			£0	Yes
Communities First (RG03)	31/7/17	26/7/17	no			£0	Yes
Social Care Workforce Development Programme (SCWDP) (SOC07)	30/9/17	5/9/17	no			£0	Yes
Local Transport Grant (TRA15)	30/9/17	12/9/17	no				Yes
Free Concessionary Travel (TRA23)	30/9/17	25/9/17	no	1			No
<b>Total</b>				<b>2</b>	<b>£-10,085</b>	<b>£75</b>	

9 **Exhibit 3** summarises the key issues behind the outcomes of our audit work.

**Exhibit 3: Key issues behind each of the adjustments or qualifications identified**

Ref	Summary observations	Amendment (£)
1	<p><b>NDR Non-Domestic Rates Return (LA01)</b></p> <p>The claim was amended to correct the entry for the year-end bad debt provision, which had been incorrectly calculated. It should be noted that while the change to the bad debt provision affects the income to Welsh Government, it does not affect the amount of funding due to the Council from the Welsh Government.</p>	(10,085)
2	<p><b>Housing Benefit Subsidy claim (BEN01)</b></p> <ul style="list-style-type: none"> <li>• The claim was amended to correct a number of errors in respect of non-HRA rent rebates and modified scheme cases. Amendments were made where the full population of the relevant cases could be identified and tested, enabling the total errors to be identified.</li> <li>• The claim was qualified for a significant number of errors in respect of non-HRA rent rebates and rent allowance cases. Qualifications were necessary where it was not possible to test the full populations of relevant cases and therefore the facts were set out in a qualification letter for consideration by the Department for Work and Pensions.</li> </ul> <p>A summary of the number and value of errors are set out in <b>Exhibits 4 and 5</b> below.</p> <p><b>Exhibit 4</b> analyses the number of errors across housing benefit categories and types of error. It shows that:</p> <ul style="list-style-type: none"> <li>• the outcome of our testing of our original sample; and</li> <li>• the outcome of the additional cases reviewed by Council officers, and the number of errors identified by us through our examination of the Council officers' reviews.</li> </ul>	£75

Ref	Summary observations	Amendment (£)
	<p>The exhibit shows that Council officers' review of additional case files, required by the Department for Work and Pensions' procedures, had failed to identify numerous processing errors. As a result of these failings we had to further extend our additional audit testing.</p> <p><b>Exhibit 5</b> shows the value of errors identified across housing benefit categories and the type of errors. (<b>Exhibit 7, Recommendation 1</b>).</p>	
3	<p><b>Families First (EYC14)</b></p> <p>The claim was amended as line 3 (grant entitlement), being the lower of line 1 (grant award) and line 2(actual spend), had not been completed. (<b>Exhibit 7, Recommendation 2</b>).</p>	0
4	<p><b>Teachers' Pension return (PEN05)</b></p> <p>The claim was amended as Section 3 included transposition errors where the employees and employer's pension figures had been included in the incorrect columns. (<b>Exhibit 7, Recommendation 2</b>).</p>	0
5	<p><b>Communities First (RG03)</b></p> <p>The CFO certificate on the claim was 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. (<b>Exhibit 7, Recommendation 2</b>).</p>	0
6	<p><b>Social Care Workforce Development Programme (SCWDP) (SOC07)</b></p> <p>The claim was amended to include in Section 6 the '£' and '%' of expenditure in respect of health and safety legislation. This had been omitted from the original claim provided for audit. (<b>Exhibit 7, Recommendation 2</b>).</p>	0
7	<p><b>Free Concessionary Travel (TRA23)</b></p> <p>The claim was qualified as an explanation provided to support an increase in passenger numbers in excess of 10%, for a route by one of the bus contractors, was unsatisfactory. The certification instructions require us to obtain appropriate explanations for any increase or decrease in a route's passenger numbers against the previous year, which exceeds 10%. (<b>Exhibit 7, Recommendation 3</b>).</p>	0

Ref	Summary observations	Amendment (£)
	<b>Total effect eligible costs</b>	<b>(10,010)</b>

Exhibit 4: Analysis of HB errors by number

Description of issue/error	Original sample reviewed by WAO		Additional sample reviewed			
	No. of cases reviewed	No. of errors found	No. of cases reviewed by Council	No. of errors found by Council	No. of those cases reviewed by WAO	No. of errors found by WAO
Non HRA Rent Rebate – statutory fuel deduction errors (claim amended for this error)	20	5	48	48	48	48
Non HRA Rent Rebates – error in start date of the passported benefit (claim qualified for this error)	20	1	The original error identified was an underpayment and as this type of error could only ever result in an underpayment and therefore, in accordance with the Department for Work and Pensions' guidance, no further testing of this error type was required.			
Non HRA Rent Rebates – error in calculation of earned income (claim qualified for this error)	20	1	29	2	5	2

Description of issue/error	Original sample reviewed by WAO		Additional sample reviewed			
	No. of cases reviewed	No. of errors found	No. of cases reviewed by Council	No. of errors found by Council	No. of those cases reviewed by WAO	No. of errors found by WAO
Non HRA Rent Rebates – incorrect split of benefit between cells 12 and 13 (claim amended for this error)	8	8	All relevant cases identified and tested in original sample. No further testing required.			
Rent Allowances – error in calculation of weekly rent liability (claim qualified for this error)	20	3	40	1	5	1
Rent Allowances – error in assessment of non-dependant (claim qualified for this error)	20	1	40	0	4	0
Rent Allowances – error in calculation of earned income (claim qualified for this error)	20	4	40	2	40	22
Modified schemes – incorrect calculation of weekly war pension (claim amended for this error)	4	1	35	5	8	5

Exhibit 5: Analysis of HB errors by value

Description of issue/error	No. of claims tested in total	Value of claims tested £	No. of claims with errors	Value of overpayment errors £	Value of underpayment errors £	Net value of errors £
Non HRA Rent Rebate – statutory fuel deduction errors	68	£37,005.00	53	-£61.20	£286.08	£224.88
Non HRA Rent Rebates – error in start date of passported benefit	20	£28,829.49	1	N/A	£7.29	£7.29
Non HRA Rent Rebates – error in calculation of earned income	49	£35,820.49	3	-£55.43	£0.10	-£55.33
Non HRA Rent Rebates – incorrect split of benefit between cells 12 and 13	8	£5,481.20	8	N/A	£297.61	£297.61
Rent Allowances – error in calculation of weekly rent liability	60	£235,541.00	4	-£16.46	£571.00	£554.54
Rent Allowances – error in assessment of non-dependant	60	£267,953.87	1	N/A	£1,889.45	£1,889.45
Rent Allowances – error in calculation of earned income	60	£219,962.00	26	-£1,417.27	£1,068.43	-£348.84

Description of issue/error	No. of claims tested in total	Value of claims tested £	No. of claims with errors	Value of overpayment errors £	Value of underpayment errors £	Net value of errors £
Modified schemes – incorrect calculation of weekly war pension	39	£47,658.41	6	-£283.50	N/A	-£283.50

# Recommendations

10 **Exhibit 6** explains the risk rating that we give to audit issues and our recommendations set out at **Exhibit 7**. We will follow up our recommendations as part of the next year's audit.

## Exhibit 6: 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: Recommendations

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Housing benefit data is incorrectly assessed and processed, resulting in:</p> <ul style="list-style-type: none"> <li>• incorrect payments to claimants; and</li> <li>• an incorrect claim to the Department for Work and Pensions.</li> </ul> <p>Also, when the Council is requested to complete additional testing because of audit errors that we have identified, that testing must be undertaken properly so that any errors are identified.</p>	<p>The Council's annual claim may be qualified or amended.</p> <p>Housing benefit subsidy may be reclaimed by from the Council by the Department for Work and Pensions.</p> <p>Failure to do so will increase the level and cost of our audit work and may impact on the nature and/or content of the audit qualification.</p>	<p>R1</p> <p>The Council should strengthen its arrangements for processing housing benefit claims, which should include:</p> <ul style="list-style-type: none"> <li>• ensuring that adequate induction and ongoing training is provided to all housing benefit staff;</li> <li>• ensuring that management review and oversight is satisfactory, with particular regard to the input of data into the housing benefit system; and</li> <li>• significantly improving the rigour of housing benefit officers' testing of any extended samples that arise from our audit work.</li> </ul>	<p>1</p>	<p>The induction training plan includes all relevant areas of Housing Benefit that is pertinent to each role. In addition, the 2018/19 training plan specifically includes refresher training on the areas identified as an issue during the audit.</p> <p>Targeted claims checking will be undertaken in addition to routine testing to improve accuracy.</p>	<p>Benefits and Financial Assessments Manager</p> <p>April 2018</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
				Any additional testing requested will be re-checked by a second officer to ensure that all errors are identified.	

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Claim not prepared correctly, for example:</p> <ul style="list-style-type: none"> <li>• arithmetic incorrect, figures included in the wrong sections of the claim form;</li> <li>• claim form not completed in accordance with completion instructions;</li> <li>• claim form not fully completed; and</li> <li>• incorrect CFO signature included on claim form.</li> </ul>	<p>Annual claims may be qualified or amended.</p>	<p>R2</p> <p>The Council should ensure that annual claim forms are completed correctly and independently reviewed by a senior officer.</p> <p>The Grant Checklist should be completed and reviewed for each claim submitted for audit.</p>	<p>2</p>	<p>The Council has in place processes for completion of claims and a grants checklist as part of its Grants Policy. The process will be reinforced with relevant officers.</p>	<p>Finance Manager, Financial Control &amp; Closing</p> <p>30 June 2018</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Variations in expenditure or changes in expenditure patterns are not fully investigated and explained</p>	<p>Annual claims may be qualified or amended. Grant may be reclaimed by the grant paying body.</p>	<p>R3 Grant officers should monitor grant spend to ensure that significant fluctuations in spend with individual suppliers, particularly where payments are made monthly to the same supplier, are appropriately explained and justified.</p>	<p>2</p>	<p>The scheme concerned has been discussed with appropriate officers and variances will be reviewed and explanations provided.</p>	<p>Group Manager, Highways Services  30 June 2018</p>

# Fees

- 11 Our overall fee for the certification of grants and returns was £75,907. This was higher than the fee estimate of £58,220 set out within the 2017 Audit Plan, which was based on the previous year's audit fee. The increase was mainly due to the significant number of issues identified during our audit of the housing benefit subsidy claim and the additional testing required as a result of these issues. [Exhibit 8](#) provides a breakdown of the audit costs.

## Exhibit 8: Breakdown of the audit costs

Breakdown of fee by grant/return	2016-17	2015-16
Housing Benefits (BEN01)	£31,795	£11,291
21 <sup>st</sup> Century Schools (EDU18)	£1,478	£1,131
Flying Start Revenue (EYC01)	£2,410	£3,381
Flying Start Capital (EYC02)	-	£2,979
Families First (EYC14)	£3,195	£3,596
Pooled Budgets (3 claims in 2016-17, 2 claims in 2015-16) (HLG01)	£4,710	£4,013
National Non-Domestic Rates (LA01)	£3,270	£3,493
Land drainage - Porthcawl Town Beach - Design phase (LD03)	£2,634	-
Teachers' Pension (PEN05)	£2,914	£2,923
Communities First (3 claims in 2015-16, merged into 1 in 2016-17) (RG03)	£5,083	£12,051
Social Care Workforce Development (SOC07)	£1,964	£2,391
Local Transport Grant (TRA15)	£2,009	£2,466

Breakdown of fee by grant/return	2016-17	2015-16
Free Concessionary Travel (TRA23)	£3,050	£3,567
Planning, admin and reporting	£11,395	£4,938
<b>Total fee</b>	<b>£75,907</b>	<b>£58,220</b>

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