

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Certification of Grants and Returns 2013-14

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 (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 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 the Authority had generally good arrangements in place for the production and submission of its 2013-14 grant claims. Improvement has been made since 2012-13 in the value and amount of issues identified by our certification work, although as set out in the 'Recommendations' section of this report below there still remains some scope for improvement. We continue to support the Authority to deliver improvements in the grants process for 2013-14.
4. For 2013-14 we certified 24 grant claims and returns, reduced from 31 in 2012-13 due to certain claims being audited at a regional level and a change in the Communities First regime.
5. The Authority submitted all of its 2013-14 non-WEFO grant claims to us on time. We can confirm that we have certified all of the claims other than three historic land reclamation grants commenced during 2012-13 for which the work is currently suspended awaiting a Welsh Government decision and two WEFO projects where the Authority has agreed a change in the audit period with WEFO.
6. This work was carried out at a total audit cost of some £45,930. Overall, the audits resulted in an additional £481 being claimable in respect of 2013-14. 1:12 of the non-WEFO claims were qualified.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2013-14 grant claims and returns

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.
- For 2013-14, we certified 24 grants & returns (including two WEFO grants) with a total value of £124.8m.
- At the start of our grant audit work for 2013-14, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed 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 further improvements which can be made to improve the processes.

Pages 8-10

Timely receipt of claims

- Our analysis shows that 100 per cent of non-WEFO grants received during the year were received by the Authority's deadline. This is consistent with the 2012-13 audit year.
- There have been some delays in our work around two WEFO grants due to information not being available at the originally agreed audit date and some late changes in the period we were required to audit as communicated to the Authority by WEFO. In future, the grant co-ordinator should ensure any potential delays to agreed audit dates are communicated promptly to give sufficient time to adjust the timetable and re-allocate auditors appropriately.

Pages 8-10

Certification results	<p>We issued unqualified certificates for 22 non-WEFO grants and returns but qualifications were necessary in 2 cases (8 per cent)</p> <ul style="list-style-type: none"> The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and issues which have come to our attention (for the first time) during our grant work carried out in 2013-14: <ul style="list-style-type: none"> Qualification issues reported in previous financial years <ul style="list-style-type: none"> Lack of authorisation evidence for properties granted historic discretionary NNDR relief Qualification issues outside the Authority's control <ul style="list-style-type: none"> The Concessionary bus fares claim required a technical qualification because the calculation of the quarter 4 administrative costs (that the Authority can claim for administering the scheme) was not in line with our testing instructions; however, the Authority followed Welsh Government instructions for this calculation so this qualification was outside the Authority's control; our qualification was required to draw the issue to the attention of Welsh Government. 	Pages 8-10
Audit adjustments	<p>Adjustments were necessary to 4 of the Authority's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> There was no significant adjustments (i.e. over £10,000) The net adjustment of the 4 grants is an increase of £481 in funds payable to the Authority. 	Pages 11-12
The Authority's arrangements	<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work</p> <ul style="list-style-type: none"> Some improvements are required in some specific areas as set out in our recommendations section. 	Pages 13-15

Fees

Our overall fee for certification of grants and returns for 2013-14 is £45,930 which was lower than the fee for the work for 2013-14 (£81,988)

- This is mainly the result of a reduction in hourly rates for grants certification in 2013-14 and a reduction in the overall amount of claims being certified following some claims moving to a regional basis and a change in the Communities First regime.
- In addition there was reduced testing required on certain claims this year as a result of issues raised in previous year being addressed (e.g. Families First and Teachers Pensions). There has been a general improvement in the quality of the grant claims.

Pages 16-17

Summary of certification work outcomes

7. Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2013-14 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 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 2013-14

Overall, we certified 24 grants and returns:

- 17 were unqualified with no amendment
- 3 were unqualified but required some amendment to the final figures
- 2 required a qualification to our audit certificate
- 2 reports to the Welsh European Funding Office drew no matters to the attention of that body

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	No comments to WEFO included in report	Unqualified certificate with no adjustments
	BEN01	Housing and Council Tax Benefits	30/04/14	30/04/14						1
	EDU15	Schools Effectiveness Grant	30/09/14	30/09/14						1
	EDU18	Transitional School buildings improvement grant	30/09/14	30/09/14						1
	EDU18	21 st Century Schools	30/09/14	30/09/14						1
	EDU43	Learning Pathways	30/09/14	30/09/14						1
1	EDU43	Learning Pathways (Regional)	15/01/15	15/01/15			£481			
	EDU44	Welsh in Education	30/09/14	30/09/14						1
	EUR01	WEFO Structural Funds (x4)	various	various					2 ¹	
	EYC01	Flying Start (Revenue & Capital)	30/09/14	30/09/14						2
	EYC14	Families First	30/09/14	30/09/14						1
	HLG01	Pooled Budget Memoranda	09/05/14	09/05/14						1
2	LA01	NNDR Final Contributions	30/05/14	30/05/14	1					

¹ Two WEFO project certifications have been delayed due to changes in the claim submission date and are not complete at the time of issue of the report. Any issues arising from this work will be detailed in a future report.

	LA12	Sustainable Waste Management	30/09/14	30/09/14						1
	PEN05	Teachers Pensions	30/06/14	28/05/14						1
3	RG03	Communities First (Clusters x 3)	30/09/14	30/09/14			£450 & £45			1
	RG19	Strategic Regeneration Areas x 3	30/09/14	30/09/14						3
	SOC07	Social Care Workforce Dev Programme	30/09/14	30/09/14						1
4	TRA 23	Free Concessionary Fares	30/09/14	28/08/14	1					
	TOTAL (number)				2	0	3	0	2	17

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

Ref	Summary observations	Amendment
1	<p>Learning Pathways regional claim – claim amended</p> <ul style="list-style-type: none"> • This claim relates to funding provided on a regional basis to the five Councils in the Central South Consortium, with Bridgend acting as lead. The regional form represents the totals of the local claim forms which are certified by the each Council's auditors separately. • The original form presented for certification included an underspend in Bridgend that had not been offset against overspends in two other authorities; this would have resulted in the region losing £481 of its entitlement. • As a result of our certification work, this was clarified with Welsh Government who confirmed that the grant was allocated on a regional basis and that the Council could amend the form to re-allocate this underspend against the two overspends, despite this not having been done in the local claim forms. • We have recommended to the Council that any underspends or overspends are monitored on a regional basis prior to the preparation of local forms in future years, so re-allocations can be made if required on a timely basis (Recommendation 1). 	£481
2	<p>National non-domestic rates return – claim qualified</p> <ul style="list-style-type: none"> • As in the previous year's certification, we identified properties granted a discretionary relief for which evidence of authorisation of this relief could not be located. We understand that the authorisation for the two properties that we identified was granted prior to 1990, since which date the entities have not moved premises. We have no reason to believe that authorisation would not have been granted for these two entities (two community halls), but this could not be substantiated by the Authority by reference to documentary evidence. • Subsequent to the claim year, the Council has approved a revised discretionary relief rate policy, which allows the award of discretionary relief to come to a natural end after a maximum period of 3 years, in which time the party must re-apply for the relief, therefore, forcing a review at this stage. • Also subsequent to the claim year, the Council has begun the process to obtain new applications from every party that currently receives discretionary relief in order to review and approve them. The two community halls referenced above, among others, have since re-applied and been re-approved for relief. We understand that the aim during 2014-15 is to review all historic discretionary relief awards. (Recommendation 2) 	N/A

Ref	Summary observations	Amendment
3	<p>Communities First – two claims amended</p> <ul style="list-style-type: none"> This is the first year of the new Communities First regime, for which Bridgend has three clusters which require certification. Amendments of £750 and £75 were required to two of the three certificates as the allocation of grant between the spend categories did not agree to the allocation agreed with Welsh Government (there was no amendment required to the overall grant receivable figure). 	<p>£750 & 75 (allocation between categories only – no impact on overall amount claimable by the Authority).</p>
4	<p>Free Concessionary Travel – claim qualified</p> <ul style="list-style-type: none"> This was a technical qualification as the administrative costs within the Claim for the final quarter, which are calculated based on the passes in circulation, were calculated based on the February passes in circulation rather than March, and therefore the calculation was not in line with our certification instructions. However we note that this was because Welsh Government changed the scheme subsequent to agreeing our certification instructions to split the final quarter into two claims (one for January to February and one for March), and the Council was instructed to follow the approach detailed above. 	<p>N/A</p>
Total effect of amendments to the Authority		£481

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.

Priority 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.

Priority 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.

Priority 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.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>In relation to the Learning Pathways regional claim:</p> <ul style="list-style-type: none"> The original form presented for certification included an underspend in Bridgend that had not been offset against overspends in two other authorities; this would have resulted in the region losing £481 of its entitlement. As a result of our certification work, this was clarified with Welsh Government who confirmed that the grant was allocated on a regional basis and that the Council could amend the form to re-allocate this underspend against the two overspends, despite this not having been done in the local claim forms. 	<p>An underspend by one Authority may result in the regional consortium of authorities losing grant entitlement if it does not re-allocate this underspend against overspends by other authorities in the region.</p>	<p>R1 Where grant schemes are administered on a regional basis, the Council should monitor any underspends or overspends on a regional basis prior to the preparation of local forms in future years, so re-allocations can be made if required on a timely basis.</p>	<p>2</p>	<p>The recommendations seem reasonable. This will be actioned in September 2015 for the local claim and January 2016 regional claim.</p>	<p>D Exton As per Local & Regional Claim dates.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>In relation to the NNDR claim:</p> <ul style="list-style-type: none"> As in previous years' certifications, we identified properties granted discretionary relief for which evidence of authorisation of this relief could not be located. We have raised a recommendation in previous years to check all discretionary reliefs and maintain evidence of this. The Authority had started acting on this, but not all properties had been checked prior to our audit. Subsequent to the claim year, the Council has approved a revised discretionary relief policy, which allows the award of discretionary relief to come to a natural end after a maximum period of 3 years, and begun the process to obtain new applications from every party that currently receives discretionary relief in order to review and approve them. We understand that the aim during 2014-15 is to review all historic discretionary relief awards. 	<p>The lack of evidence resulted in the need to qualify our certification of the NNDR claim. In addition, 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.</p>	<p>R2 The Authority should ensure that all discretionary relief awards are reviewed during 2014-15 and that the authorisation of relief awards is retained.</p>	<p>2</p>	<p>A full review of all discretionary rate reliefs has been undertaken during 2014-15, a number have been cancelled as a result, mainly due to a change in the Council's rate relief policy.</p>	<p>E Johnson 31 March 2015</p>

Fees

11. Our overall fee for the certification of grants and returns is set out below:

Breakdown of fee by grant/return	2013-14 - £	2012-13 - £
Housing and Council Tax Benefits (BEN01)	10,124	12,833
Schools Effectiveness Grant (EDU15)	1,145	2,636
Transitional School Buildings Improvement Grant & 21 st Century Schools (EDU18)	1,288	1,596
Learning Pathways local and regional return (EDU43)	2,252	1,585
Welsh in Education (EDU44)	1,200	2,333
WEFO – 80256 - Bridgend Convergence Fund (EURO1)	2,349	2,715
WEFO – 80583 – S Wales Interchange (EURO1)	477	3,132
WEFO – 80616 – Prevent 14 - 19 (EURO1) ³	-	3,415
WEFO – 80255 - Maesteg (EURO1) ³	731	2,954
Flying Start (EYC01)	1,877	1,659
Families First (formerly Cymorth) (EYC14)	1,587	5,375
Substance Misuse Action Plan Fund (HC02)	-	2,638
Mental Handicap and Illness Strategy - Resettlement (HC03)	-	2,440
Pooled Budgets x 1 (HLG01)	833	1,296

National non-domestic rates return (LA01)	2,994	7,777
Sustainable Waste Management (LA12)	1,257	1,900
Teachers Pensions (PEN05)	1,920	3,858
Communities First (RG01)	-	2,918
Communities First (RG02)	-	8,769
Communities First (RG03)	2,821	-
Derelict land grant (RG15) ¹	6,541	-
Strategic Regeneration Areas (RG19)	2,721	-
Social Care Workforce Development Programme (SOC07)	1,387	2,300
Regional Transport Consortia Grant (TRA16)	-	2,416
Concessionary Fares (TRA23)	2,387	2,452
Annual report ²	2,291	2,991
Total fee	45,930	81,988

¹ The work relating to the certification of three historic land reclamation grants commenced during 2012-13 is currently suspended awaiting a Welsh Government decision. We have billed the work completed to date during 2013-14 and hope to conclude this work in 2014-15.

² The fee for the annual report in 2013-14 relates to the 2012-13 report and the fee in 2012-13 relates to the 2011-12 report – the fee for this report will be included in the 2014-15 billing cycle.

³ The certification of two WEFO project claims was not completed as at 17 March 2015 due to changes in the period we were required to audit as agreed by the Authority and WEFO. The costs included above are those incurred to date. We will report any remaining costs in relation to these in the 2014-15 report.

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