



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Certification of Grants and Returns 2012-13

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-awarding 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 the Authority had generally good arrangements in place for the production and submission of its 2012-13 grant claims. Improvement has been made since 2011-12 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. Our conclusion for 2012-13 is based on the following overall findings.
4. For 2012-13 the total value of the 31¹ grants and returns on which we undertook work was £151m¹; this compares to 37 claims with a value of £137m in 2011-12. The increase in the total amount of funding on which we worked was mainly due to a £5m increase in specific WEFO project funding, the certification of the new regional lead Learning Pathways return representing £4.5m funding across five authorities and increases to the Transitional School Buildings Improvement Grant (£3.6m). There was also some variation in the value of other claims.
5. The Authority submitted all of its 2012-13 grant claims to us on time. This was better than the 59 per cent of claims and returns submitted on time in 2011-12, when there were some of delays in the submission of the Communities First grant claims. The certification work this year was undertaken at a total audit cost to the Authority of £81,988¹. Overall, the certificated audits resulted in a reduction of £1,184 in the amount the Authority could claim.
6. In addition, we brought points to the attention of WEFO in respect of one of the four returns for which we issued certificates. No all-Wales statistic has been provided in respect of these returns.
7. 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”.

¹ These figures exclude three historic derelict land reclamation grants representing £20.9m funding, the certification work of which is still ongoing and will be finalised and reported as part of the 2013-14 grants cycle.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2012-13 grant claims and returns

- As auditors of the Authority, we are asked on behalf of the Auditor General for Wales to certify grant claims and returns made by the Authority.
- For 2012-13, we audited and certified 31 grant claims and returns with a total value of £151m, compared to 37 grant claims with a value of £137m in 2011-12.
- 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 100 per cent of the year's grant claims and returns by the awarding body's deadline.
- This is an improvement on the 2011-12 year when the ten Communities First claims were received after the deadline due to a delay on one of the projects, resulting in only 59 per cent of claims and returns being submitted on time.

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 25 non-WEFO grants and returns but qualifications were necessary in two cases. We also issued one report for WEFO returns where points were raised for the attention of the Grant Paying Body. The two qualifications represent 7 per cent of the reports issued to grant paying bodies other than WEFO. This compares with 10 per cent in 2011-12.

We have analysed the qualification types below:

Nature of qualification	Number Qualified
No evidence of authorisation for the granting of NNDR discretionary relief to four properties	1
No SLA with grant partner and lack of monitoring of expenditure by grant partner	1

Further detail on these is provided on pages 13-14.

**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 the Council is allowed to amend or correct the claim or return. This is referred to as an adjustment.

Adjustments were necessary to 5 (19 per cent) of the Authority's non-WEFO grants and returns as a result of our certification work this year. This compares with 11 (33 per cent) in 2011-12.

This position for 2012-13 is:

- Three claims had non-significant adjustments, and five were amended for clerical errors or changes within headings on the grant claim that had no impact on the amount claimable by the Authority.
- The net result of the adjustments on these nine returns is a reduction of £1,184 in funds payable to the Authority.
- We have analysed the adjustments over amendment types.

Nature of adjustment	Number Adjusted
Expenditure eligible but analysed under incorrect heading on return	1
Incorrect restriction of costs which were actually eligible	2
Inclusion of costs that had been claimed previously	1
Figure given wrong sign (i.e. negative instead of positive)	1

**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 summarise our findings in respect of WEFO claims separately here.

We included findings in one out of the four Accountant's Reports for WEFO projects for 2012-13. In comparison, we included findings in two out of the four Accountant's Reports for WEFO projects for 2011-12. The detail relating to this finding is on p13.

The Authority's arrangements

The Authority's arrangement for the production and submission of grant claims and returns are generally good but there is still scope for improvement. There are a number of recurring issues that need to be addressed by the Authority to ensure the accuracy of the grants claims submitted:

- Two 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 certification.
- 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 that the matter has been dealt with correctly in subsequent years, or that information is properly handed over from outgoing to incoming staff members.
- Issues relating to arrangements for external partners on the Families First grant resulted in additional costs of certification and for officers in checking the partner's submissions. Arrangements could be improved in this area by establishing a service level agreement detailing requirements for the partner (we understand that this has been put in place since our work).

Fees

Our overall fee for certification of grants and returns for 2012-13 is £81,988 (excluding the ongoing Derelict Land claims) which was higher than the fee for the work for 2011-12 (£79,954).

- This is the result of some changes in the scope of grants (primarily Families First which has replaced Cymorth) and costs for additional testing required on certain claims this year (principally Teachers Pensions and Families First for the reasons described on page 13), offset by some efficiencies in time spent certifying specific grants. There has been a general improvement in the quality of the grant claims.

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 2012-13 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 of 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 2012-13

Overall, we undertook work on 31 grant claims and returns and we certified these as follows:

- 20 certificates were unqualified with no adjustment
- 5 were unqualified but required a minor adjustment
- 2 required a qualification to our audit certificate and no adjustment
- 3 reports to the Welsh European Funding Office drew no matters to the attention of that body
- 1 report to the Welsh European Funding Office drew 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
N/A	BEN01	Housing and Council Tax Benefits	31/05/13	28/05/13						1
N/A	EDU15	Schools Effectiveness Grant	30/09/13	28/08/13						1
N/A	EDU18	Transitional School buildings improvement grant	30/09/13	21/09/13						1
N/A	EDU43	Learning Pathways	31/10/13	31/10/13						1
N/A	EDU44	Welsh in Education	30/09/13	28/08/13						1
1	EUR01	WEFO Structural Funds (x4)	various	various				1	3	
N/A	EYC01	Flying Start	30/09/13	30/09/13						1
2	EYC14	Families First	30/09/13	25/09/13	1					
3	HC02	Substance Misuse Action Plan Fund	30/09/13	12/07/13			-£1,306			
N/A	HC03	Welsh Mental Handicap Strategy	31/08/13	29/08/13						1
N/A	HLG01	Pooled Budget Memoranda	10/05/13	26/04/13						1
4	LA01	NNDR Final Contributions	31/05/13	16/05/13	1					
N/A	LA12	Sustainable Waste Management	31/10/13	26/09/13						1
5	PEN05	Teachers Pensions	30/06/13	28/05/13			£82			
6	RG01	Communities First (Outcomes Funding) (x1)	31/07/13	31/07/13			-£90			

7	RG02	Communities First (x10)	31/07/13	31/07/13			£130 & nil			8
N/A	SOC07	Social Care Workforce Dev Programme	28/09/13	12/07/13						1
N/A	TRA16	Regional Transport Consortia Grant	30/09/13	05/09/13						1
N/A	TRA 23	Free Concessionary Fares	30/09/13	28/08/13						1
TOTAL (number)					2	0	5	1	3	20

This table summarises the key issues behind the adjustments, qualifications or matters for the attention of WEFO that were identified on pages 11 to 12.

Ref	Summary observations	Amendment
1	<p>WEFO Structural Funds – Accountant’s Reports (EUR01)</p> <p>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.</p> <ul style="list-style-type: none"> • <i>Project 80616 – Prevent 14-19.</i> At the time of our work, the regional team was in discussion with WEFO over the costs to be included as eligible for the apportionment of indirect overheads. We were informed that the costs included within the claim at 31 March 2013 were subject to change upon completion of these discussions. We therefore did not test any costs from this sub-category and recommended an adjustment for the full period value of £11,196 until WEFO agreed the costs to be included in the apportionment model. We will revisit this during our audit of the 31 March 2014 claim. As the claim form was not adjusted, we have not included this amount in the amendment column. 	£Nil
2	<p>Families First Grant (EYC 14)</p> <ul style="list-style-type: none"> • We issued a qualification for two reasons: <ul style="list-style-type: none"> • The authority’s procedures provide for contracts or service-level agreements to be in place with all third parties; however, during the period it was unable to obtain a signed agreement from one of the sub-contractors providing services under the Grant. As a result the authority made no payments to the subcontractor until it had signed an agreement letter allowing the Authority the ability to claw back funding if any ineligible costs were identified later. We understand that the sub-contractor has now signed a service-level agreement. • In addition, the subcontractor’s submitted expenditure for claim under the grant contained a number of ineligible items that were excluded from the claim by officers when preparing for certification, indicating a lack of monitoring of spend by the sub-contractor. 	£Nil
3	<p>Substance Misuse Action Fund (HC 02)</p> <ul style="list-style-type: none"> • The original form used incorrect sign on the balance of cash to/from Welsh Government 	-£1,306
4	<p>NNDR (LA01)</p> <ul style="list-style-type: none"> • We issued a qualification letter for the NNDR return: the Authority was unable to provide any evidence of authorisation for the granting of discretionary relief to four properties due to them being granted in 1990. The form was not amended for this. 	£Nil

Ref	Summary observations	Amendment
5	<p>Teachers Pensions (PEN 05)</p> <ul style="list-style-type: none"> An amendment was required due to allocation of salaries to incorrect tiers on the form which resulted in incorrect percentages being applied in the calculation of the amounts paid/due. 	£82
6	<p>Communities First (RG01) – Cornelly & Wildmill Demo Project</p> <ul style="list-style-type: none"> The original claim form included an element of expenditure relating to the previous financial year amounting to £90. 	-£90
7	<p>Communities first grants (RG02)</p> <ul style="list-style-type: none"> Recharges were excluded from one line of the Communities First Children and Young People’s Partnership (CYPP) original claim. These were added in an amended form, resulting in an increase in the claimable amount of £130. The Sarn claim was amended due to some invoices relating to the previous year; however the Council obtained special permission from WG to claim them in the 2012/13 programme as 2011/12 had been closed. Therefore this had no impact on the claim amount. 	£130
Total effect of amendments to the Authority		-£1,184

Other matters arising from audit testing

Ref	Matter arising
1	<p>NNDR (LA01)</p> <ul style="list-style-type: none">• Our certification work followed up the points arising in previous years. No new matters were identified in this year's audit.• 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 in previous years identified properties where no review had been undertaken since the initial issue of the relief. As a result, relief may be being provided in circumstances for which that relief is no longer appropriate. No system for review had been introduced by the time of our work for 2012/13 and our testing identified further examples of this – see recommendation on p18.
2	<p>Housing Benefit and council tax benefits scheme (BEN01)</p> <ul style="list-style-type: none">• We noted in our testing that during 2012/13 the level of local authority error and administrative delay overpayments as a percentage of total overpayments were high (31%) compared to national benchmark percentiles (5% at 5th percentile, 18% at 95th percentile). There are reductions in the subsidy eligibility of LA error and administrative delay overpayments if they total over 0.48% of total rent allowance expenditure, and in 2012/13 totalled £163,361 (0.34%).• There is a risk that if these increase, the Council will lose subsidy on the amounts over the 0.48% threshold. Management has informed us that the majority of this was made up of administrative delay due to a backlog of changes work in 2012/13. Management has informed us that they have recognised the issue and are addressing it; in the approximately 11 months of 2013-14 up to 24 February 2014, there have been LA error and administrative delay overpayments of £62,998 out of a total of £394,373 i.e. 16%.

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>There were a few examples of claims not prepared correctly. Reasons included:</p> <ul style="list-style-type: none"> • Expenditure incurred but allocated to wrong salary tier (Teachers Pensions); • Expenditure included which relates to prior year; and • One example of a numerical error. 	<ul style="list-style-type: none"> • By inaccurate preparation of the return, the Authority has not complied with the Terms and Conditions of grant • Time and cost will be incurred by the Authority in discussing and providing an amended claim • Expenditure over claimed may be reclaimed by the funding body 	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 to demonstrate that basic tests have been performed prior to submission.	2	<p>Reports have now been amended to accommodate this. A reconciliation will now take place per position which will avoid any further allocation to incorrect tier.</p>	<p>Transactional Team Manager Already actioned November 2013</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<ul style="list-style-type: none"> There was no partnership agreement in place between the Council and one of the sub-contractors providing services under the Families First Grant, which resulted in no payments being made to the subcontractor organisation until an agreement letter was put in place. In addition, the sub-contractor's submitted expenditure for claim under the grant contained a number of ineligible items that were excluded from the claim by officers when preparing for certification but indicating a lack of monitoring of spend by the subcontractor. 	<ul style="list-style-type: none"> If there is no agreement in place with each grant partner, the Council risks ineligible expenditure being incurred by its partners or partners not providing services budgeted to be funded by grant expenditure. Lack of monitoring arrangements by grant subcontractors may result in ineligible expenditure being claimed and increased officer time in internally checking the amounts claimed. 	<p>R2 A partnership agreement should be put in place with each grant partner/subcontractor. This should specify the monitoring arrangements that the Council expects the sub-contractor to have in place.</p>	<p>1</p>	<p>A recent re-commissioning of the 6 strategic programmes commencing 1 April'14 has been completed. Lead providers will be expected to sign agreements specifying compliance with monitoring arrangements for the both lead and partner providers.</p>	<p>Partnership Manager Already actioned April 2014</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>In relation to the NNDR grant claim:</p> <ul style="list-style-type: none"> The Council was unable to provide any evidence of authorisation for the granting of discretionary relief to four properties due to them being granted in 1990. There does not appear to have been any evidence of review since that date. Our corresponding Certification of grants and returns report for 2011/12 raised the fact that there were no regular reviews of discretionary reliefs once granted and recommended that regular reviews of the relief decision be undertaken on these properties. There was no evidence of review of the four properties identified above. 	<ul style="list-style-type: none"> 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>R3 As recommended in previous years, regular 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. All properties where no evidence of the decision can be found should be prioritised in this review. Evidence of the review should be maintained as an audit trail for the decision.</p>	<p>2</p>	<p>The Awards (approximately 10) that pre-date 1997 and have not been reviewed will be issued with a new form and invited to submit a fresh application.</p>	<p>Taxation Manager - April 2014</p>

Fees

Our overall fee for the certification of grants and returns has increased in 2011-12 in comparison with the previous year. This can, in the main, be attributed to the some changes in the scope of grants and costs for additional testing required on certain claims this year, offset by some efficiencies in time spent certifying specific grants.

Breakdown of fee by grant/return	2012-13 - £	2011-12 - £
Housing and Council Tax Benefits (BEN01)	12,833	12,793
Schools Effectiveness Grant (EDU15)	2,636	3,196
Transitional School Buildings Improvement Grant (EDU18)	1,596	4,419
Learning Pathways local and regional return (EDU43)	1,585	1,765
Welsh in Education (EDU44)	2,333	-
WEFO – 80256 - Bridgend Convergence Fund (EURO1)	2,715	3,402
WEFO – 80583 – S Wales Interchange (EURO1)	3,132	4,004
WEFO – 80616 – Prevent 14 - 19 (EURO1)	3,415	2,921
WEFO – 80255 - Maesteg (EURO1)	2,954	2,924
Flying Start (EYC01)	1,659	1,789
Families First (formerly Cymorth) (EYC14)	5,375	1,740
Substance Misuse Action Plan Fund (HC02)	2,638	1,470
Mental Handicap and Illness Strategy - Resettlement (HC03)	2,440	1,630
Pooled Budgets x 1 (HLG01)	1,296	2,328
National non-domestic rates return (LA01)	7,777	7,814

Sustainable Waste Management (LA12)	1,900	2,023
Teachers Pensions (PEN05)	3,858	1,941
Communities First (RG01)	2,918	3,067
Communities First (RG02)	8,769	8,574
Derelict land grant (RG15) ¹	-	-
Strategic Regeneration Areas (RG19)	-	2,932
Social Care Workforce Development Programme (SOC07)	2,300	2,868
Transport Grant (TRA15)	-	1,728
Regional Transport Consortia Grant (TRA16)	2,416	1,728
Concessionary Fares (TRA23)	2,452	2,721
Annual report ²	2,991	-
Total fee	81,988	£79,954

¹ The work relating to the certification of three historic land reclamation grants is still ongoing and will be finalised during the 2013-14 grants cycle.

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

