

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Certification of Grants and Returns 2014-15

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 2014-15 grant claims. The value and amount of issues identified by our certification work (excluding the historic land reclamation claims) is broadly in line with 2013-14. We continue to support the Authority to deliver improvements in the grants process for 2015-16 and have set out one recommendation in the 'Recommendations' section of this report.
4. For 2014-15 we certified 18 non-WEFO grant claims and returns (reduced from 22 in 2013-14 due to certain claims being audited at a regional level or dropping out of scope for audit), and 5 WEFO returns (increased from 2 in 2013-14 due to timing issues and the requirement to audit final returns on two of the projects).
5. The Authority submitted all of its 2014-15 non-WEFO grant claims to us on time. We can confirm that we have certified all of the claims relating to the 2014-15 audit year as well as three historic land reclamation grants commenced during 2012-13 for which the work was previously suspended awaiting a Welsh Government decision.
6. This work was carried out at a total audit cost of some £38,724. There were no amendments made impacting on amounts claimable in any of the non-WEFO grants certified. 4 of the 18 (ratio of 1:4.5) non-WEFO claims were qualified; however this includes 3 historic land reclamation claims certified this year but related to previous years - excluding these, the ratio is 1:18.

Headlines

Introduction and background	This report summarises the results of work on the certification of the Authority's 2014-15 grant claims and returns <ul style="list-style-type: none">• We have been asked on behalf of the Auditor General to certify grant claims made by the Authority.• For 2014-15, we certified 23 grants & returns (including five WEFO claim returns) with a total value of £142.3m.• At the start of our grant audit work for 2014-15, 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 7-9
Timely receipt of claims	<ul style="list-style-type: none">• 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 2013-14 audit year.• There were some delays in our work around one WEFO project in particular due to the Authority not being able to provide us with the final claim form for certification – we understand that this was due to them awaiting the release of the form on the system by WEFO. This has now been resolved and we have issued our Accountant's Report for this project.	Pages 7-9
Certification results	We issued unqualified certificates for 14 non-WEFO grants and returns but qualifications were necessary in 4 cases (22 per cent) <ul style="list-style-type: none">• The qualifications relate to two areas: the Housing Benefit subsidy, for which two overpayments due to user input error were identified in our testing, and three historic land reclamation scheme grants, which we qualified due to a lack of supporting evidence.• The land reclamation grants all relate to projects dating back several years (with two of the three having expenditure pre-dating Bridgend CBC) and for which work was commenced in 2012-13 but concluded this year following the lifting of an embargo placed on the work by WAO/Welsh Government.	Pages 7-9

Audit adjustments	<p>There were no adjustments made to the Authority's grants and returns as a result of our auditor certification work this year although we did identify one minor error</p> <ul style="list-style-type: none"> • There has been a change in relation to the certification of Welsh Government grants this year as the Welsh Government has asked us to apply a 'materiality' threshold of £10,000. This means that where claim adjustments are over £10,000, we ask authorities to adjust the claim form. If adjustments are under £10,000, we do not ask authorities to adjust the claim form but we do issue written feedback note to the Authority detailing the error. This change does not apply to non Welsh Government grants (e.g. Housing Benefit). • There were no adjustments over £10,000 but we did identify errors amounting to under £10,000 in one grant (National non-domestic rates return), for which we issued a feedback note. 	Pages 10-12
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"> • There is possibility for improvement in some areas as set out in our recommendations section. 	Page 13
Fees	<p>Our overall fee for certification of grants and returns for 2014-15 is £38,724 which was lower than the fee for the work for 2013-14 (£45,930)</p> <ul style="list-style-type: none"> • This is mainly the result of a reduction in the overall amount of claims being certified following some claims moving to a regional basis or becoming out of scope. 	Pages 14-15

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 2014-15

Overall, we certified 23 grants and returns:

- 13 were unqualified with no amendment and no errors identified
- 1 were unqualified but with a feedback note issued to management due to errors under £10,000
- 4 required a qualification to our audit certificate
 - 3 reports to the Welsh European Funding Office drew no matters to the attention of that body
 - 2 reports to the Welsh European Funding Office included matters raised to the attention of that body

Ref – Para 9	CI Ref	Grants and returns	Claim due	Claim received	Qualified certificate	Adjustment made (error > £10,000)	Feedback note issued (error < £10,000)	Comments to WEFO included in report	No comments to WEFO included in report	Unqualified certificate with no adjustments
1	BEN01	Housing Benefit	30/04/15	30/04/15	1					
	EDU15	Schools Effectiveness Grant	30/09/15	30/09/15						1
	EDU18	21 st Century Schools	30/09/15	30/09/15						1
2	EUR01	WEFO Structural Funds (x5)	various	various				2	3	
	EYC01	Flying Start (Revenue & Capital)	30/09/15	30/09/15						2
	EYC14	Families First	30/09/15	30/09/15						1
	HLG01	Pooled Budget Memoranda	09/05/15	09/05/15						1
3	LA01	NNDR Final Contributions	30/05/15	30/05/15			£8,885			
	LA12	Sustainable Waste Management	30/09/15	30/09/15						1
	PEN05	Teachers Pensions	30/06/15	21/05/15						1
	RG03	Communities First (Clusters x 3)	30/09/15	30/09/15						3
4	RG15	Derelict Land Grants	N/A	N/A	3					
	SOC07	Social Care Workforce Development Programme	30/09/15	30/09/15						1

4	TRA 23	Free Concessionary Fares	30/09/15	30/09/15						1
		TOTAL (number)			4		1	2	3	13

9. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 7 to 9.

Ref	Summary observations	Adjustment
1	<p>Housing benefit subsidy return – claim qualified</p> <ul style="list-style-type: none"> • The Authority submits a return to DWP in order to claim subsidy support for expenditure on statutory housing benefit. • During our testing, we identified two cases of overpayment of benefit which had not been recorded by the Council (one in our initial sample and one in an extended sample). These were both as a result of the claimant’s weekly income being incorrectly recorded when being input into the system; we identified the errors when we were agreeing the income figures on the system back to source documentation. The total of these two errors amounted to £3.74. • Given the size of the population and the nature of the errors found, it was unlikely that even significant additional work would result in amendments to the claim form that would have allowed us to conclude that it was fairly stated. Therefore we were obliged to issue a qualification letter to DWP in relation to this issue. 	N/A
2	<p>Welsh European Funding Office (WEFO) structural funds returns - two reports issued with comments</p> <ul style="list-style-type: none"> • We are requested to issue an Accountant’s Report on each of the Authority’s four WEFO structural fund project returns on an annual basis. As these projects have now ended during the year, we have also been requested to issue reports on the final returns where this does not overlap with an annual return. Five reports have been issued in total during the year. • Two of these reports were issued with comments: the Bridgend Convergence annual return as a result of a transposition error of £9,000 (already notified to WEFO by the Authority), and the Maesteg Phase Four final return as a result of defrayment issue where the wrong supplier had been paid (this had been identified and resolved by the Authority prior to our audit but after the claim period end – WEFO rules state that expenditure should be defrayed (i.e. paid) before the end of the claim period). 	N/A

Ref	Summary observations	Adjustment
3	<p>National non-domestic rates (NNDR) return – feedback note issued to management</p> <ul style="list-style-type: none"> • The Authority submits a return to Welsh Government detailing its NNDR receipts and various reliefs and adjustments applied during the year, which we are asked to certify. • Two errors were identified in our certification of the form, but as both amounted in aggregate to under £10,000, we were not required to ask the Authority to adjust the form under the new Welsh Government grants regime. We have instead issued a feedback note to management to draw these issues to their attention. • The issues were <ol style="list-style-type: none"> 1) certain properties being given empty premises relief at 50% although their initial exemption period had expired so this relief should not have been applied – impact of £8,612 (Recommendation 1). 2) a figure being included in the form for a historic transitional relief adjustment which ended in 2003, and therefore should not have been included – impact of £273. • As the Authority was not required to adjust these two issues, there is no impact on the Authority’s NNDR balance due to/from Welsh Government. 	N/A

Ref	Summary observations	Adjustment
4	<p>Derelict Land Grants – three claims qualified</p> <ul style="list-style-type: none"> • This relates to historic projects under the public sector land reclamation programme (previously administered by the Welsh Development Agency and now by Welsh Government) which all ended several years ago. In 2013, WG wrote to authorities seeking financial closure of the schemes by submission of a final claim and requested auditors to certify the final claims (including all expenditure over the life of the scheme). Bridgend has three such projects which we have been asked to certify. • However, due to the age of these schemes and the passing of time, for all three schemes we have been asked to certify, we experienced a lack of supporting evidence for the expenditure as records have been archived or disposed. In particular we were unable to fully complete the test requiring us to reconcile the Council's grant expenditure and receipts records to the Council's general ledger, and we were also unable to agree internal staff costs expenditure to payroll records as payroll information has been archived. In addition, for two of the schemes which dated back to prior to local government reorganisation in 1996, we were unable to agree much of the expenditure to any prime documents such as invoices. • As a result, we were obliged to issue qualification letters for all three schemes. The issue of these was delayed since early 2014 by an embargo which was placed on the schemes while the approach to the programme was discussed with Welsh Government, but this was released in late 2015 allowing us to issue the letters. • It should be noted that officers have informed us that as part of the Welsh Development Agency (WDA) Land Reclamation Grant programme, all claims were 100% evidence supported to WDA before payment was made. 	N/A
Total effect of amendments to the Authority		Nil

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	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.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>In relation to the NNDR claim:</p> <ul style="list-style-type: none"> Certain properties had been granted empty premises relief at 50% although their initial exemption period had expired so this relief should not have been applied – the total of the ineligible relief granted was £8,612 As the error was under £10,000, it did not need reporting to Welsh Government under the new regime, but was reported to management in a feedback note 	<p>If ineligible relief surpasses £10,000, the Authority will need to amend its claim form. In addition, if the error is not resolved, it will result in additional audit work and costs in future years.</p>	<p>R1 Review all empty premises reliefs to ensure they are appropriately cancelled after the expiry of the exemption period</p>	2	<p>Following identification of the error all empty property cases were reviewed and no other cases were found. The error came about due to a member of staff applying the wrong relief type. The NNDR system parameters have now been amended to reduce the risk of an incorrect relief being applied.</p>	<p>E Johnson September 2015</p>

Fees

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

Breakdown of fee by grant/return	2014-15 - £	2013-14 - £
Housing and Council Tax Benefits (BEN01)	11,009	10,124
Schools Effectiveness Grant (EDU15)	-	1,145
Transitional School Buildings Improvement Grant & 21 st Century Schools (EDU18)	1,032	1,288
Learning Pathways local and regional return (EDU43)	-	2,252
Welsh in Education (EDU44)	-	1,200
WEFO – 80256 - Bridgend Convergence Fund (EURO1) (two claims in 2014-15)	2,418	2,349
WEFO – 80583 – S Wales Interchange (EURO1)	-	477
WEFO – 80616 – Prevent 14 - 19 (EURO1)	2,668	-
WEFO – 80255 - Maesteg (EURO1) (two claims in 2014-15)	2,550	731
Flying Start capital and revenue (EYC01)	2,577	1,877
Families First (formerly Cymorth) (EYC14)	2,121	1,587
Pooled Budgets x 1 (HLG01)	1,133	833
National non-domestic rates return (LA01)	3,275	2,994
Sustainable Waste Management (LA12)	776	1,257

Teachers Pensions (PEN05)	1,643	1,920
Communities First (RG03)	1,924	2,821
Derelict land grant (RG15) ¹	470	6,541
Strategic Regeneration Areas (RG19)	-	2,721
Social Care Workforce Development Programme (SOC07)	1,536	1,387
Concessionary Fares (TRA23)	1,889	2,387
Annual report for previous year ²	1,703	2,291
Annual report for this year (estimate) ²	2,000	
Total fee	40,724	45,930

¹ The work relating to the certification of three historic land reclamation grants commenced during 2012-13 (billed in 2013-14) and has been concluded in 2014-15 following the lifting of an embargo on the work.

² In previous years, we have included the fee for writing the annual report in the following year's report – therefore fee of £1,703 noted above relates to the 2013-14 report and the fee in 2013-14 relates to the 2012-13 report. As KPMG is rotating off the Bridgend CBC audit next year, we have included an estimate of the fee for this report in the above return. This will be finalised and billed following presentation of the report to the Audit Committee.

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