



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2018-19

Caerphilly County Borough Council

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The team who delivered the work comprised Barrie Morris (Engagement Lead) and Grace Hawkins (Manager).

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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 public body, make arrangements for certifying claims and returns (referred to as claims, hereafter).
- 2 We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Caerphilly County Borough Council (the Council) have satisfactory 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 while the Council had adequate arrangements in place for the submission of its claims, there is scope for improvement. We are continuing to work with the Council to support these improvements in 2019-20.
- 4 For 2018-19 we certified 11 grant claims and returns. (10 in 2017-18). The Council submitted 91% of its 2018-19 grant claims to us on time. We can confirm that we have certified all the claims, at a total audit cost of £45,845 (£41,788 for 2017-18).

Exhibit 1: Breakdown of claims

| | £ |
|-----------------------------------|---------------------------|
| Additional Grant to CCBC | 0 |
| Grant to be Clawed back from CCBC | 0 |
| Disclosure Adjustments | See exhibit 5 for details |

- 5 The proportion of claims that were qualified is 2:11 which compares favourably with the long-term Welsh average of 1:4 for 2017-18, the most recent years for which all-Wales data is available.

Summary of certification work outcomes

| | |
|------------------------------------|---|
| Introduction and background | <p>This report summarises the results of work on the certification of the Council's 2018-19 grant claims and returns</p> <ul style="list-style-type: none"> • As contractors to the Wales Audit Office we are asked, on behalf of the Auditor General, to certify grant claims made by the Council. • We certified 11 claims with a total value of £150,868,841. • We have produced this report to provide collective feedback to those officers having the responsibility for grant management so that we can work together to identify further improvements in claim preparation. |
| Timely receipt of claims | Our analysis shows that 91% per cent of claims given to us during the year were received by the deadline set for the Council in terms and conditions. |
| Certification results | <p>We issued unqualified certificates for 9 claims and returns but a qualification was necessary in 2 cases (18 per cent).</p> <p>The reasons for qualifying the claim can be found in Exhibit 5.</p> |
| Audit adjustments | <p>Adjustments were necessary to 2 (18 per cent) of the Council's claims as a result of our work this year.</p> <p>The adjustments were disclosure in nature and had no impact in the grant payable to the Council.</p> |
| The Council's arrangements | The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas, as detailed in the body of this report. |
| Fees | Our overall fee for certification of grants and returns for 2018-19 is £45,845 (£41,788 in 2017-18). |

- 6 The following page provides a summary of the key outcomes from our certification work on the Council's 2018-19 claims and returns, showing where either audit amendments were made or where we had to qualify our auditor certificate.
- 7 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 2018-19

Key information for 2018-19

Overall, we certified 11 grants and returns:

4 were error free

2 were qualified

2 required amendment to the final figures

3 were unqualified but required the issue of a certification feedback note

Exhibit 4: Summary of Key Outcomes

| Ref | Grants and returns | Claim due | Claim received | Late | Qualified certificate | Adjustment (>£10,000) | Adjustment (<£10,000) | Unqualified certificate |
|-------|--|------------|----------------|------|-----------------------|-----------------------|-----------------------|-------------------------|
| BEN01 | Housing Benefits and Authority Tax Subsidy | 30/04/2019 | 25/04/2019 | No | Yes | | | |
| TRA15 | Local Transport Grant | 30/09/2018 | 24/09/2019 | No | | | | Yes |
| LA12 | Sustainable Waste Management | 30/09/2019 | 26/09/2019 | No | | | | Yes |
| EDU18 | 21st Century Schools | 30/09/2019 | 26/09/2019 | No | | | | Yes |
| LA01 | Non-Domestic Rate | 31/05/2019 | 31/05/2019 | No | | | | Yes |
| HLG01 | Gwent Frailty Partnership | 19/04/2019 | 23/04/2019 | Yes | Yes | | | |
| HLG03 | Section 28a Annual Voucher - Wanless | 30/09/2019 | 26/06/2019 | No | | | | Yes |
| HLG03 | Section 28a Annual Voucher - Learning and Disability | 30/09/2019 | 26/06/2019 | No | | | | Yes |
| PEN05 | Teachers Pensions | 30/06/2019 | 03/06/2019 | No | | | Disclosure | Yes |
| LA99 | Summary of Certified Welsh Government Grants | 30/09/2019 | 30/09/2019 | No | | | | Yes |
| TRA23 | Free Concessionary Travel | 30/09/2019 | 24/09/2019 | No | | | Disclosure | Yes |

This table summarises the key issues behind each of the adjustments or qualifications that were made.

Exhibit 5: Summary of Key Issues

| Ref | Summary observations | Amendment Financial Impact |
|-----|---|-------------------------------|
| 1 | <p><u>Housing Benefit and Authority Tax Subsidy</u></p> <p>A number of issues were identified, which resulted in a qualification, including:</p> <p><u>Rent Allowances</u></p> <ul style="list-style-type: none"> • Rent Rebates - Total Expenditure (Benefit Granted) – this is an error that has also been identified in prior years, where the average weekly income was calculated incorrectly, this led to an extrapolated overstatement of £464.09 with a corresponding understatement in cell 113. • Rent Rebates – Total Expenditure (Benefit Granted) – state retirement pension was uprated at a standard rate of 3%, however not all elements had risen by 3% therefore the error resulted in underpaid benefit. • Modified Schemes Subsidy - Expenditure due to voluntary disregarding of War Disablement or War Widow’s Pension –testing identified that the authority miscalculated and overstated the claimant’s pension resulting in an underpayment of benefit. | £0 (disclosure only) |
| 2 | <p><u>Teacher’s Pension Return</u></p> <p>An error in the data collection spreadsheet caused several variances between percentage tiers. This resulted in amendments to the claim form, however this had no impact on the total of the return.</p> | £0 (disclosure only) |
| 3 | <p><u>Free Concessionary Travel</u></p> <p>One amendment of £40.00 made to the original claim form due to a transposition error.</p> | £0 (disclosure only) |
| | Total effect of amendments to the Council’s claims and returns | £0 |

Recommendations

- 8 We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up this recommendation 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: Recommendations

| Issue | Implication | Recommendation | Priority | Comment | Responsible officer and target date |
|--|---|---|----------|---|---|
| Unapproved / ineligible expenditure included – Housing Benefit | The Authority's subsidy claim may be qualified. This will lead to a partial loss of subsidy if the total error made exceeds a permitted threshold set by the Department for Work and Pensions. If overpayments are not classified correctly, the Authority will not realise the level of its total error. Some claimants will be overpaid, and the Authority may have to request a repayment. | <p>One issue identified within the qualification letter has been recurring for a number of years.</p> <p>We recommend that the council implement training to address the following issues prior to the next certification process:</p> <ul style="list-style-type: none"> • correctly calculate the weekly income of a claimant with a focus on what pay elements are included and excluded. | 1 | <p><i>We will continue to deliver refresher training and maximise our quality control checks on related claims to ensure that claimants' weekly income is correctly calculated and entered on the processing system. This will mitigate these types of errors reoccurring in future. We will also carry out 100% checks on all claims that attract Modified Scheme Subsidy to safeguard against errors in this category happening again.</i></p> <p><i>With reference to the classification of overpayments, although errors had been identified in previous years, extra testing this year found no errors and this issue has now been closed with regards to future 'Cumulative Audit Knowledge and Experience' (CAKE) testing. This is a marked improvement and we will endeavour to maintain this standard.</i></p> <p><i>In addition, CAKE testing was also carried out on the calculation of rent liability and no further errors were identified in this field. This indicates added improvement and this issue has also been closed with regards to future testing.</i></p> | <p>Amanda Main (Housing & Council Tax Benefits Manager)</p> <p>Immediate Effect</p> |

Fees

Our overall fee for the certification of grants and returns was £45,845.

Exhibit 8: Fees

| Breakdown of fee by grant/return | 2018-19 | 2017-18 |
|--|----------------|----------------|
| Housing Benefit and Authority Tax Subsidy (BEN01) | £18,724 | £18,090 |
| Teachers' Pension (PEN05) | £3,045 | £2,920 |
| Free Concessionary Travel (TRA23) | £2,480 | £1,279 |
| Section 28a Annual Voucher - Wanless (HLG03) | £1,449 | £1,363 |
| Section 28a Annual Voucher - Learning and Disability (HLG03) | £1,449 | £1,363 |
| 21st Century Schools (EDU18) | £1,954 | £1,773 |
| Sustainable Waste Management (LA12) | £3,319 | N/A |
| Communities First - All Clusters (RG03) | N/A | £2,904 |
| Non-Domestic Rate (LA01) | £2,563 | £2,570 |
| Local Transport Grant (TRA15) | £1,459 | £1,111 |
| Gwent Frailty Partnership (HLG01) | £2,004 | £1,688 |
| Single Statement (LA99) | £4,098 | £3,945 |
| Planning, admin & reporting | £3,301 | £2,782 |
| Total fee | £45,845 | £41,788 |

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