



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Certification of Grants and Returns 2010-11

Caerphilly 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 Caerphilly 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 the audit and conclude that while the Authority had generally good arrangements in place for the production and submission of its 2010-11 grant claims, there is some scope for improvement. We are continuing to work with the Authority to make these improvements for 2011-12. Our conclusion for 2010-11 is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2010-11 grants was in place throughout the year;
 - a joint working protocol was put in place prior to the start of the audit;
 - there were more adjustments and qualifications required in 2010-11 compared with 2009-10; and
 - there is some scope to improve the Authority's arrangements for submitting its grant claims for audit.
4. For 2010-11 we certified 33 grant claims, which was less than the number certified in 2009-10 (51 claims); however, the total grant value was approximately £29 million more.
5. The Authority submitted 82 per cent of its 2010-11 grant claims to us on time. We confirm that we have certified all of the claims, at a total audit cost of some £96,178.
6. 1:5.5 of the claims were qualified; this compares well with the Welsh average of 1:4 for 2009-10.

Headlines

Introduction and background	This report summarises the results of work on the certification of the Authority's 2010-11 grant claims and returns <p>PricewaterhouseCoopers LLP, acting as an agent of the Auditor General, undertakes the audit work and certifies grant claims and returns made by the Authority.</p> <ul style="list-style-type: none">• For 2010-11, we certified 33 grants and returns with a total value of £170.1 million compared to 51 grants with a total value of £141.2 million in 2009-10.• At the start of our grant audit work for 2010-11, we met with the grant co-ordinator and key financial officers (having responsibility for grant claim preparation) and agreed our proposed Joint Protocol for completing grant work. Regular contact with the grants co-ordinator throughout the certification process helped to deal with emerging grant issues.• Officers complete a Good Practice Grant Checklist which is included with each grant claim.• We also distributed, in advance of the audit, a timetable of grant audit work to be performed to the Authority's grant co-ordinator, who informed the key officers involved in grant claim preparation.• We have produced this report to provide feedback to those officers having the responsibility for grant management so that we can work together to identify improvements to the processes.	Page 7
Timely receipt of claims	<ul style="list-style-type: none">• Our analysis shows that 82 per cent of grants received during the year were received by the Authority's deadline. However, whilst the Authority submitted 18 per cent of its claims late for audit, most of the claims had only minimal delays.• In future, the grant co-ordinator should ensure that all grant claims are submitted by the deadlines to minimise the risk of sanctions and penalties.	Pages 8-10
Certification results	We issued unqualified certificates for 27 grants and returns but qualifications were necessary in 6 cases (18 per cent). This compares with less than 10 per cent in 2009-10. <ul style="list-style-type: none">• The main reasons for qualifying claims were that the claims included ineligible expenditure, particularly with respect to the European Structural Fund claims.	Pages 7-13

Audit adjustments	<p>Adjustments were necessary to 10 (30 per cent) of the Authority's grants and returns as a result of our auditor certification work this year. This compares with 8 per cent in 2009-10.</p> <ul style="list-style-type: none"> • There were only 2 significant adjustments (ie, over £10,000). These both related to European Structural Fund projects. • Excluding the significant adjustments to the European Structural Fund projects, the net adjustment for the other 8 grants was a reduction of £1,832 in funds payable to the Authority. • The main reasons for amending claims was that the claims were not prepared correctly and included ineligible expenditure. 	Pages 7-13
The Authority's arrangements	<p>The Authority has generally good arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas</p> <ul style="list-style-type: none"> • Areas of good practice identified at the Authority include: <ul style="list-style-type: none"> - the grant co-ordinator maintains a comprehensive claims and returns register - all grant claims and returns are supported by a completed review checklist. • Our recommendations for improvement are included on pages 14-16. These include: <ul style="list-style-type: none"> - staff should be reminded of the importance of ensuring that claims are compiled correctly. - procedures should be put in place and clarification sought from the Welsh Government, where necessary, to ensure that only eligible expenditure is claimed. 	Pages 14-16
Fees	<p>Our overall fee for certification of grants and returns for 2010-11 was £96,178 which was below our original estimate of £100,000 to £120,000</p> <ul style="list-style-type: none"> • Our overall fee for the certification of grants and returns for 2010-11 was £96,178 which was marginally higher than 2009-10 (£93,886). There were a number of new grants which required certification in 2010-11 and a significant reduction in the number of Communities First grant claims that required certification. 	Pages 17-18

Summary of certification work outcomes

7. On the following page is a summary of the key outcomes from our certification work on the Authority's 2010-11 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 amount of grant claimed is appropriate.

Key information for 2010-11

Overall, we certified 33 grants and returns:

- 22 were unqualified with no amendment
- 5 were unqualified but required some amendment to the final figures
- 1 required a qualification to our audit certificate with no amendment
- 5 were qualified and required some amendment to the final figures

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Housing Benefit and Council Tax Benefit	31/5/11	24/5/11	No			-£18	
2	Safer Communities Fund	30/9/11	11/10/11	Yes				
3	Better Schools Fund	31/7/11	24/8/11	Yes			-£497	
4	School Buildings Improvement Grant (3 month)	22/7/11	22/7/11	No			-£1,140	
5	School Buildings Improvement Grant (12 month)	22/7/11	28/7/11	Yes				
6	Learning Pathways	30/9/11	29/9/11	No				
7	Structural Fund: Bargoed Regeneration Programme	-	19/4/11	No		£598,535		
8	Structural Fund: Central Valleys Railway Package	-	19/4/11	No				
9	Structural Fund: Newbridge Regeneration Programme	-	15/4/11	No		£40,000		
10	Structural Fund: SEN Transition to Employment	-	22/6/11	No			-£348	
11	Flying Start	30/9/11	30/9/11	No				
12	Cymorth	30/9/11	30/9/11	No				
13	Substance Misuse Action Fund	30/9/11	11/10/11	No				

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
14	Learning Disabilities	31/8/11	26/8/11	No				
15	Section 34/194 NHS (Wales) Act Money Transfer: Learning Disability and Other	30/9/11	7/9/11	No				
16	Section 34/194 NHS (Wales) Act Money Transfer: Wanless	30/9/11	7/9/11	No				
17	Joint Working Grant	30/9/11	7/9/11	No				
18	HRA Subsidy 2009-10	30/9/11	12/10/11	Yes			£0	
19	HRA Subsidy 2010-11	30/9/11	12/10/11	Yes			£0	
20	NNDR	21/5/11	17/5/11	No			£171	
21	Sustainable Waste Management	30/9/11	1/8/11	No				
22	Teachers' Pension	30/6/11	13/6/11	No				
23	Communities First Outcomes Fund: The Hub	31/7/11	13/7/11	No				
24	Communities First Core Fund: Caerphilly Central Groundwork	31/7/11	13/7/11	No				
25	Communities First Core Fund: Central Support (Central Core Costs)	31/7/11	13/7/11	No				

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
26	Communities First Core Fund: Central Support (Core)	31/7/11	13/7/11	No				
27	Strategic Regeneration Areas	31/5/11	6/6/11	Yes				
28	Social Care Workforce Development Programme	30/9/11	7/9/11	No				
29	Performance Management Development Fund	30/9/11	7/9/11	No				
30	Promoting Independence and Wellbeing	30/9/11	7/9/11	No				
31	Transport Grant	31/8/11	13/7/11	No				
32	Free Concessionary Travel	31/10/11	17/10/11	No				
33	Capital Road Maintenance Fund	31/10/11	28/10/11	No			£0	
	Total			6	6	£638,535	-£1,832	27

9. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 8 to 10.

Ref	Summary observations	Amendment
1	<p>Housing Benefit and Council Tax Benefit</p> <ul style="list-style-type: none"> The Housing Benefit and Council Tax Benefit claim was qualified due to the in-year reconciliation cell for three of the benefit types not being equal to the corresponding headline total expenditure cell. The cells were manually amended in order to balance, on the advice of the software supplier. An amendment was required to the form, which decreased the amount of subsidy payable to the Authority by £18. The error related to the Authority using the incorrect Local Housing Allowance rate in one case. The error identified in the original sample of non HRA cases meant we needed to extend the sample size and extrapolate the error. (Recommendation 1) 	-£18
3	<p>Better Schools Fund</p> <ul style="list-style-type: none"> The Better Schools Fund claim was amended following identification of two payments made relating to 2011-12, which were, therefore, ineligible spend for 2010-11. (Recommendation 3) 	-£497
4	<p>School Buildings Improvement Grant (3 month)</p> <ul style="list-style-type: none"> The Authority received an allocation of grant to be spent during the period January to March 2010. The grant was qualified because testing identified that some items of expenditure had been spent prior to January 2010. This matter was, however, accepted by the Welsh Government. (Recommendation 3) An amendment was also required to the form, which decreased the amount payable to the Authority by £1,140. This was as a result of the identification of ineligible expenditure which related to the 2008-09 financial year. (Recommendation 3) 	-£1,140

Ref	Summary observations	Amendment
7	<p>Structural Fund: Bargoed Regeneration Programme</p> <ul style="list-style-type: none"> The expenditure in the claim included time charged by project managers which was defrayed in 2009-10. An amendment was therefore identified of £15,348 which was ineligible expenditure. (Recommendation 3) Our testing of the income also identified an amendment relating to Targeted Match Funding of £613,883 that had not been received by the end of the claim period. This was a timing difference and the income was subsequently received (Recommendation 1) The claim was also qualified on these matters in accordance with Welsh European Funding Office certification requirements. 	£598,535
9	<p>Structural Fund: Newbridge Regeneration Programme</p> <ul style="list-style-type: none"> Our testing of the income identified an amendment relating to Targeted Match Funding of £40,000 that had not been received by the end of the claim period. This was a timing difference and the income was subsequently received. The claim was also qualified on this basis in accordance with Welsh European Funding Office certification requirements. (Recommendation 1) 	£40,000
10	<p>Structural Fund: SEN Transition to Employment</p> <ul style="list-style-type: none"> The expenditure in the claim included an internal charge of £348 which was not eligible expenditure. The claim was also qualified on this basis in accordance with Welsh European Funding Office certification requirements. (Recommendation 3) 	-£348
18/19	<p>HRA Subsidy 2009-10 and 2010-11</p> <ul style="list-style-type: none"> An error was identified in the spreadsheet used to compile the claim. This resulted in two cells on the claim requiring amendment, however, there was no overall effect on subsidy entitlement. This affected both the 2009-10 and 2010-11 claims. (Recommendation 1) The figure for HRA rent rebates was also amended in the 2010-11 claim, following the certification of the Housing Benefit and Council Tax Benefit claim. This also had no overall effect on subsidy entitlement for the year. (Recommendation 1) 	£0

Ref	Summary observations	Amendment
20	NNDR <ul style="list-style-type: none"> A minor amendment was required to the form, increasing the amount payable to the Welsh Government by £171. This was due to the incorrect rating list information being used in the costs of collection calculation. (Recommendation 1) 	£171
26	Communities First Core Fund: Central Support (Core) <ul style="list-style-type: none"> The claim was qualified because the Authority was unable to provide evidence to support the basis of apportionment relating to an IT recharge included within the claim. (Recommendation 2) 	-
33	Capital Road Maintenance Fund <ul style="list-style-type: none"> The claim was amended because grant received for the Local Roads Network refurbishment had been incorrectly included in the grant received line on the claim. The amendment had no overall effect on the grant entitlement. (Recommendation 1) 	£0
	Total effect of amendments to the Authority	£636,703

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>Claim not prepared correctly E.g.</p> <ul style="list-style-type: none"> • Incorrect rates used • Payments on account compiled incorrectly 	<p>Grant may be reclaimed by the Welsh Government.</p>	<p>R1 Staff should be reminded of the importance of ensuring that claim forms are correctly completed for each grant.</p>	<p>2</p>	<p>Audit Ref 1,7,9,18,19,20 & 33</p> <p>Ref 1 related to the incorrect Local Housing Allowance.</p> <p>Ref 7 & 9 were compiled correctly as per WEFO Officer guidance, the guidance proved to be incorrect and as such has been amended by WEFO.</p> <p>Ref 18&19 This resulted in a change to audit Ref 1 which is not audited until after the claim is submitted. Forms correctly compiled at that point in time.</p> <p>Ref 20&33 points noted and advised.</p>	<p>Notification sent to Finance Managers to ensure claims are completed as accurately as possible and to ensure that all supporting working papers are relevant and accurate.</p> <p>E-mail to be sent by DR 31/3/13.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Lack of supporting evidence to support the claim for funding</p> <p>E.g.</p> <ul style="list-style-type: none"> No working papers to support apportionment 	<p>There is a lack of audit trail for public monies.</p>	<p>R2 The Authority should put in place systems and controls to ensure that the claim is fully supported by source documentation including calculation of apportionments.</p>	2	<p>Ref 26 – Point noted, issue resolved in 2011-12 audit as no amendment needed.</p>	
<p>Unapproved/ ineligible expenditure included</p> <p>E.g</p> <ul style="list-style-type: none"> Activity outside the claim period 	<p>The Authority has not complied with the Terms and Conditions of grant. Grant may be reclaimed by the Welsh Government</p>	<p>R3 Only eligible expenditure, and that incurred within the claim period, should be included within the claim. The Welsh Government advice should be sought prior to claim completion if there is any doubt over the eligibility of expenditure.</p>	1	<p>Ref 3,4 & 10 – Points noted.</p>	<p>Notification sent to Finance Managers to ensure claims are completed as accurately as possible.</p> <p>E-mail to be sent by DR 31/3/13.</p>

Fees

11. Our overall fee for the certification of grants and returns was below the original estimate of £100,000 to £120,000 set out within the Financial Audit Outline document. There were a number of new grants which required certification in 2010-11 and a significant reduction in the number of Communities First grant claims that required certification.

Breakdown of fee by grant/return	2010-11	2009-10
Housing benefit and council tax benefit subsidy	£24,585.00	£20,147.00
Safer Communities Fund	£1,272.00	£1,546.00
Better Schools Fund	£2,206.50	£2,734.00
School Buildings Improvement Grant (3 month)	£1,565.00	N/A
School Buildings Improvement Grant (12 month)	£960.50	£2,041.00
Learning Pathways	£1,494.50	£2,151.50
Structural Fund: Bargoed Regeneration Programme (Annual claim to 31/3/11)	£3,769.00	£3,249.50
Structural Fund: Central Valleys Railway Package Phase 2 (Annual claim to 31/3/11)	£3,769.00	£3,992.00
Structural Fund: Newbridge Regeneration Programme (Annual claim to 31/3/11)	£3,769.00	£3,845.50
Structural Fund: SEN Transition to Employment (Claim 1/7/10 – 31/5/11)	£5,634.50	N/A
Flying Start	£1,138.50	£1,298.50
Cymorth	£1,761.50	£1,917.25
Substance Misuse Action Fund	£1,316.50	£1,744.00
Learning Disabilities	£1,316.50	£1,793.50

Breakdown of fee by grant/return	2010-11	2009-10
Section 34/194 NHS (Wales) Act Money Transfers – Wanless/Learning Disabilities/Other	£1,832.00	£2,176.25
Joint Working Grant	£1,227.50	£1,397.50
Housing Revenue Account Subsidy 2009-10	£4,770.00	N/A
Housing Revenue Account Subsidy 2010-11	£4,770.00	N/A
National Non-domestic Rates	£5,139.50	£5,582.50
Sustainable Waste Management	£1,138.50	£1,125.25
Teachers' Pension Return	£2,028.50	£3,044.50
Communities First Outcomes Fund (2010-11: 1 claim; 2009-10: 1 claim)	£1,138.50	£1,546.00
Communities First Core Funding (2010-11: 3 claims; 2009-10: 24 claims)	£3,905.50	£22,254.00
Strategic Regeneration Areas	£4,970.00	N/A
Social Care Workforce Development Programme	£1,227.50	£1,075.75
Performance Management Development Fund	£1,138.50	£1,051.00
Promoting Independence and Wellbeing	£1,227.50	£1,051.00
Transport Grant	£1,094.00	£1,706.00
Free Concessionary Travel	£1,138.50	£1,224.25
Capital Road Maintenance Fund	£1,316.50	£1,694.50
Grants not certified in 2010-11	£0	£2,498.00
Annual grant report	£3,557.00	N/A
Total fee	£96,177.50	£93,886.25