

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Certification of Grants and Returns 2013/14 and 2014/15

Caerphilly County Borough Council

Audit year: 2013/14 and 2014/15

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This document was produced by PricewaterhouseCoopers LLP ('PwC') on behalf of the Appointed Auditor

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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 in both 2013/14 and 2014/15 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 adequate arrangements in place for the production and submission of both its 2013/14 and 2014/15 grant claims, there is scope for improvement. Our conclusion is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of grants was in place for both financial years; and
 - there is scope to further improve the Authority's arrangements for production of its grant claims.
4. The Authority submitted 88 per cent of its claims to us on time in 2013/14 and 95 per cent in 2014/15. We confirm that we have certified all of the claims, at a total audit cost of £102,628 (2013/14) and £86,321 (2014/15). Overall, the audits resulted in a reduction in the grants and returns claimed of £79,328 by the Authority in respect of 2013/14 and an increase of £6,944 in respect of 2014/15.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2013/14 and 2014/15 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 26 grants and returns with a total value of £153,459,761.
- For 2014-15, we certified 21 grants and returns with a total value of £151,063,707.
- The Authority has assigned the responsibility for grants to a key officer within the Finance department (Paula Beaman) who worked closely with us to ensure that an accurate and up to date schedule of grants and returns was in place for both years.
- A joint working protocol was put in place prior to the start of the work.
- We have produced this report so that we can provide feedback to those officers having responsibility for grant management to facilitate the identification of further improvements to the processes in place at the Authority.

Pages 7 - 11

Timely receipt of claims

- For 2013-14, our analysis shows that 88 per cent of grants received during the year were received by the Authority's deadline. The remaining 12 per cent (3 claims) submitted late for audit had minimal delays (up to one week) in submission.
- For 2014-15, our analysis shows that 95 per cent of grants received during the year were received by the Authority's deadline. The remaining 5 per cent (1 claim) submitted late for audit had minimal delays (up to one week) in submission.
- The grant co-ordinator should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than two working days. We acknowledge that audit queries that relate to third parties' expenditure are likely to take longer to address. But it is imperative that queries are answered in a timely manner in order for the auditor certification deadline to be met.

Pages 8 - 9

Certification results	<ul style="list-style-type: none"> • For 2013-14, we issued unqualified certificates for 14 grants and returns and a further 4 were amended with no qualification. Qualification with amendment was necessary in 4 cases and a further 4 were qualified with no amendment. • For 2014-15, we issued unqualified certificates for 16 grants and returns and a further 3 were amended with no qualification. Qualification with amendment was necessary in two cases and these related to the Housing Benefit Subsidy grant claim and the Structural Funds – Newbridge Regeneration Project. 	Pages 8 - 14
Audit adjustments	<ul style="list-style-type: none"> • For 2013-14, adjustments were necessary to eight of the Authority's grants and returns as a result of our audit certification work. There were 2 significant adjustments (i.e., over £10,000) required and these related to the Flying Start – Capital Expansion Programme, the Gwent Frailty Programme and the Central Valleys Railway Package Structural Fund. The net adjustment for the eight grants is a reduction of £79,328 in funds payable to the Authority. For three of the grants amended, the amendment required had no impact on the funds payable to the Authority. • For 2014-15, adjustments were necessary to five of the Authority's grants and returns as a result of our auditor certification work. There were no significant adjustments (i.e. over £10,000) required. The net adjustment (below £10,000) for the three grants is an increase of £6,944 in funds payable to the Authority. For the remaining two grants amended, the amendment required had no impact on the funds payable to the Authority. 	Pages 8 -14
The Authority's arrangements	<ul style="list-style-type: none"> • The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas. • Extra procedures should be put in place to ensure that individual grant scheme rules, completion requirements and submission deadlines are always adhered to throughout the Authority. 	Pages 12 - 14
Fees	<ul style="list-style-type: none"> • Our overall fee for certification of grants and returns for 2013-14 is £102,628. This is a reduction on our 2012-13 fee (£124,462). Our overall fee has reduced for 2014-15 with a total fee of £86,321 charged for our auditor certification work. 	Pages 15 - 17

Summary of certification work outcomes

5. Detailed on the following pages is a summary of the key outcomes from our certification work on the Authority's 2013/14 and 2014/15 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.
6. 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 26 grants and returns:

- 14 were unqualified and with no amendment
- 4 were amended with no qualification; the amendments had no impact on the funds payable to the Authority.
- 4 were qualified and required some amendment to the final figures
- 4 were qualified and required no amendment.

Key information for 2014-15

Overall, we certified 21 grants and returns:

- 16 were unqualified and with no amendment
- 3 were unqualified but required some amendment to the final figures; 2 of which had no impact on the funds payable to the Authority.
- 2 were qualified and required some amendment to the final figures

Grants and returns: 2013/14

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Structural Fund: Bargoed Regeneration Programme	21/04/14	17/04/14	No				
2	Structural Fund: Newbridge Regeneration Programme	21/04/14	17/04/14	No				
3	Structural Fund: Central Valleys Railway Package	21/04/14	17/04/14	No		£16,044		
4	Gwent Frailty Programme: Section 33 Pooled Budget Memorandum Account	09/05/14	14/05/14	Yes		(£65,456)		
5	Structural Fund: SEN Transition to Employment - Annual claim for the year ended 31/05/2014	14/06/14	20/06/14	Yes				
6	Structural Fund: SEN Transition to Employment - Final Claim	21/10/14	21/10/14	No				
7	Section 34/194 NHS (Wales) Act Money Transfer: Learning Disability and Other	30/09/14	27/08/14	No				
8	Section 34/194 NHS (Wales) Act Money Transfer: Wanless	30/09/14	27/08/14	No				
9	Communities First - Cross Cluster Support 2013/14	30/09/14	03/07/14	No				

10	Communities First- Upper Rhymney Valley Cluster 2013/14	30/09/14	03/07/14	No				
11	Communities First - Mid Valleys West Cluster 2013/14	30/09/14	03/07/14	No				
12	Communities First - Mid Valleys East 2013/14	30/09/14	03/07/14	No				
13	Communities First - Caerphilly Basin Cluster 2013/14	30/09/14	03/07/14	No				
14	Housing benefit and council tax benefit	30/04/14	29/04/14	No			£247	
15	NNDR	30/05/14	21/05/14	No			£3,098	
16	Teachers' pensions returns	30/06/14	09/06/14	No				
17	School effectiveness grant	30/09/14	23/09/14	No				
18	21st Century Schools	30/09/14	27/06/14	No				
19	Welsh in Education	30/09/14	19/09/14	No				
20	Flying start - Revenue	30/09/14	19/09/14	No				
21	Flying start - Capital Expansion Programme	30/09/14	20/08/14	No		(£29,916)		
22	Families First (Cymorth)	30/09/14	01/09/14	No			£0	
23	Free Concessionary Travel	30/09/14	26/09/14	No				

24	Sustainable Waste Management	31/09/14	24/10/14	Yes			£0	
25	HRA subsidy	30/09/14	23/09/14	No			£0	
26	Learning pathways	30/09/14	23/09/14	No				
	Total					(£79,328)	£3,345	

Grants and returns: 2014/15

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
27	Section 33 Pooled Budget	01/05/15	30/04/15	No				
28	Housing Benefit Subsidy	30/04/15	29/04/15	No			£1,389	
29	HRA Subsidy	30/09/15	28/09/15	No			£7,644	
30	National Non Domestic Rates	29/05/15	22/05/15	No				
31	Teacher's Pension Return	29/05/15	19/05/15	No			£0	
32	Communities First - Cross Cluster Support	31/07/15	15/07/15	No				
33	Communities First - Upper Rymney Valley Cluster	31/07/15	15/07/15	No				
34	Communities First - Mid Valleys West Cluster	31/07/15	15/07/15	No				
35	Communities First - Mid Valleys East	31/07/15	15/07/15	No				
36	Communities First - Caerphilly Basin Cluster	31/07/15	15/07/15	No				
37	21st Century Schools	30/09/15	18/08/15	No			£0	
38	Flying Start – Revenue	30/09/15	18/08/15	No				
39	Flying Start – Capital	30/09/15	15/09/15	No				

40	Families First	30/09/15	07/09/15	No				
41	Section 34 - Learning Disabilities & Others	30/09/15	21/09/15	No				
42	Section 34 – Wanless	30/09/15	21/09/15	No				
43	Sustainable Waste Management	30/09/15	10/09/15	No				
44	Free Concessionary Travel	30/09/15	29/09/15	No				
45	Structural Funds - Central Valleys Railway Package	12/06/15	30/06/15	Yes				
46	Structural Funds - Newbridge Regeneration Project	21/07/15	08/07/15	No			(£2,089)	
47	Structural Funds - Bargoed Regeneration Programme	08/07/15	08/07/15	No				
Total						£0	£6,944	

This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 8 to 11.

Ref	Summary observations	Amendment
2	Structural Fund: Newbridge Regeneration Programme A qualification point was raised regarding cumulative expenditure relating to the Institute & Memorial Hall buildings in Newbridge and the percentage apportionment applied to Newbridge library whilst building work was on-going. An audit adjustment could not be calculated on this expenditure as a clear and accurate apportionment percentage had not been determined. (Recommendation 1)	£-

Ref	Summary observations	Amendment
3	<p>Structural Fund: Central Valleys Railway Package</p> <ul style="list-style-type: none"> • Amendment required due to the inclusion of ineligible interest payments of £1,044 (Recommendation 2) • Qualification point raised regarding an item of expenditure relating to a prepayment that extends beyond the current project completion date was identified. We did not propose an adjustment because the authority informed us that it is currently in discussion with WEFO about an extension to the project completion date, and asked that any adjustment be calculated once any changes to the project dates have been finalised and included in a future claim.(Recommendation 1) • Through its own monitoring and controls, the authority identified an invoice of £15,000 that had been funded by an earlier grant. The authority made an adjustment to reclassify the invoice of £15,000 from eligible to ineligible expenditure. The authority made a corresponding adjustment to income by reclassifying £15,000 of the existing match funding declared in the claim from eligible to ineligible income. However, as the ineligible invoice was funded from an earlier distribution of Transport Grant that was paid in the period of this project, there should be an additional £15,000 of match funding declared in the claim. (Recommendation 2) 	£16,044

Ref	Summary observations	Amendment
4	<p>Gwent Frailty Programme: Section 33 Pooled Budget Memorandum Account</p> <ul style="list-style-type: none"> Amendment required to the claim form to remove an amount of £65,456 posted twice in error relating to the central costs line in the pooled fund. (Recommendation 2) 	(£65,456)
14	<p>Housing benefit and council tax benefit</p> <ul style="list-style-type: none"> Our detailed letter set out the main points for qualification and amendment arising from the completion of our audit certification work 	£247
15	<p>NNDR</p> <ul style="list-style-type: none"> Amendment required due to the incorrect relief type awarded to organisations - the Authority included within this grant amounts in relation to two registered charities that were awarded 100% discretionary relief. Due to the charitable purposes of the organisations, mandatory charity relief and discretionary top-up should have been awarded consistently, rather than 100% discretionary relief. (Recommendation 1) 	£3,098
16	<p>Teachers' pensions returns</p> <ul style="list-style-type: none"> A qualification point was raised regarding a difference noted between the Authority's accounting records and the amount recorded on the claim form, relating to Employers' Contributions. The difference was caused by a computer system error and resulted in the Authority's accounting records for Employers' Contributions being understated by £836.00. The correct amount of Employers' Contributions was paid over to Teachers' Pension and recorded on the claim form therefore no amendment to the return was required. (Recommendation 1) Section 3 of the claim form has been amended in accordance with Teacher's Pension instructions to the Authority so that the teachers' contributions and employer contributions amounts for each tier equal the total contributory salary multiplied by the appropriate rate. (Recommendation 1) 	£0
20	<p>Flying start – Revenue</p> <ul style="list-style-type: none"> A qualification point was raised relating to the identification of virements of over 10% between different budget headings. The Authority was not able to provide evidence to demonstrate Welsh Government approval. (Recommendation 3) 	£0

Ref	Summary observations	Amendment
21	<p>Flying start - Capital Expansion Programme</p> <ul style="list-style-type: none"> A qualification point was raised regarding two lease agreements entered into for the purposes of the claim. Both agreements are for a period of less than 5 years; however, it is a requirement of the grant that any lease agreements entered into should ensure that Flying Start services can be delivered from the premises for a minimum of 5 years. The Authority has advised that this issue will be addressed in the lease renewal process due in April 2015. (Recommendation 2) Amendment was required to exclude expenditure of £29,916.26 which related to a project not included in the approved plan. (Recommendation 2) 	(£29,916)
22	<p>Families First (Cymorth)</p> <ul style="list-style-type: none"> An amendment was required to correct the total approved allocation amount. This had no impact on the amount claimed. (Recommendation 1) 	£0
24	<p>Sustainable Waste Management</p> <ul style="list-style-type: none"> An amendment was required relating to a transposition error. This had no impact on the amount claimed. (Recommendation 1) 	£0
25	<p>HRA subsidy</p> <ul style="list-style-type: none"> An amendment to cell 2500 was required as it did not reconcile to cell 055 from the Authority's Housing Benefit claim. The lower figure should have been used. This impacted the entry in cell 2832 as well. The amendment did not impact the Authority's overall subsidy entitlement. (Recommendation 1) 	£0
28	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> Our detailed letter sets out the main points for qualification and amendment arising from the completion of our audit certification work. 	£1,389

Ref	Summary observations	Amendment
29	<p>HRA Subsidy</p> <ul style="list-style-type: none"> An incorrect housing stock figure was used by the Authority. An increase of 21 dwellings was required and this had a consequential impact on cells 0070, 0080, 0140 and 1110. Cell 2500 did not reconcile to cell 055 from the Authority's Housing Benefit claim. The lower figure should have been used. The amendment impacted cell 2932 as well. (Recommendation 1) 	£7,644
31	<p>Teacher's Pension Return</p> <ul style="list-style-type: none"> An amendment £10,337.50 was required as the refunds made had been incorrectly classified. The amount actually related to a short term pension therefore needed to be moved to the correct cell on the claim form. This had no impact on the total contributions paid. (Recommendation 1) 	£0
37	<p>21st Century Schools</p> <ul style="list-style-type: none"> An amendment was required as line 2 had not been capped to WG grant as required in the notes for completion. This had no impact on the amount claimed. (Recommendation 1) 	£0
46	<p>Structural Funds - Newbridge Regeneration Project</p> <ul style="list-style-type: none"> Amendments were required to remove £154.37 of strike pay which was not an eligible item of expenditure; and an amendment of £1,935.00 being a duplicate payment. This amount had been repaid by the supplier but not removed from the transaction listing relating to this final claim. (Recommendation 2) 	(£2,089)
	Total effect of amendments to the Authority 2013/14	£75,983
	Total effect of amendments to the Authority 2014/15	£6,944

Recommendations

7. We have given each recommendation a risk rating and agreed what action management will need to take.

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</p> <p>Eg:</p> <ul style="list-style-type: none"> Compliance with notes for completion Apportionment rates used 	<ul style="list-style-type: none"> Claims may be qualified Grant may be reclaimed by the Welsh Government If qualified any over claim will need to be recovered by the Welsh Government The Authority may not have claimed its full entitlement The Authority has not complied with the terms and conditions of grant 	<p>R1 In order to confirm that claim forms are completed in full and in accordance with the guidance, all completed forms should be independently checked to supporting documentation to minimise the risk that an error will remain undetected.</p>	2	We will reinforce with finance managers the requirement to independently review all grant submissions to ensure compliance with the requirements of the funding body and the guidance supplied.	<p>Grants Manager</p> <p>30 June 2016</p>
<p>Unapproved/ ineligible expenditure included</p> <p>Eg:</p> <ul style="list-style-type: none"> Activity outside the claim period 	<ul style="list-style-type: none"> Claims may be qualified Grant may be reclaimed by the Welsh Government The Authority has not complied with the terms and conditions of grant Suspended payment 	<p>R2 Only eligible expenditure, and that incurred within the claim period, should be included within the claim. Welsh Government advice should be sought prior to claim completion if there is any doubt about the eligibility of expenditure.</p>	2	We will inform all finance managers that they are required to review all grant submissions to ensure that only eligible expenditure is included within the claim, seeking clarification from the funding body if required.	<p>Grants Manager</p> <p>30 June 2016</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Welsh Government approval not sought Eg:</p> <ul style="list-style-type: none"> • Virement 	<ul style="list-style-type: none"> • The Authority has not complied with the terms and conditions of grant 	<p>R3 Approval from the grant-paying body is sought prior to audit for all required changes to action plans/proposals.</p>	<p>2</p>	<p>We will communicate the requirement to formally request approval from the funding body to vary any of the terms and conditions of the initial approval to all finance staff involved in the submission of claims for audit.</p>	<p>Grants Manager 30 June 2016</p>
<p>Overall grant claim good practice requirements not met E.g.</p> <ul style="list-style-type: none"> • Delay in receipt of claims 	<ul style="list-style-type: none"> • The Authority has not complied with the submission deadlines specified in the terms and conditions of the grant. 	<p>R4 Claim forms should be submitted on a timely basis to allow claims to be certified within the deadline set.</p>	<p>2</p>	<p>Finance managers will be reminded of submission deadlines and the need to submit in a timely manner to facilitate the audit process and allow certification deadlines to be met.</p>	<p>Grants Manager 30 June 2016</p>

Fees

8. Our overall fee for the certification of grants and returns is in line with the expectation as stated within the regulatory plans.

Breakdown of fee by grant/return	2014-15	2013-14	2012-13
Structural Fund: Bargoed Regeneration Programme	£6,563	£5,036	£5,190
Structural Fund: Newbridge Regeneration Programme	£7,068	£6,464	£5,018
Structural Fund: Central Valleys Railway Package	£5,343	£4,830	£4,889
Gwent Frailty Programme: Section 33 Pooled Budget Memorandum Account	£3,650	£3,692	£4,208
Structural Fund: SEN Transition to Employment - Annual claim	-	£6,860	£7,809
Structural Fund: SEN Transition to Employment - Final Claim	-	£6,736	-
Land Drainage: Llanfabon Road	-	-	£2,863
Section 34/194 NHS (Wales) Act Money Transfer: Learning Disability and Other	£1,907	£1,212	£1,441
Section 34/194 NHS (Wales) Act Money Transfer: Wanless	£1,570	£1,212	£1,441
Communities First - Cross Cluster Support 2013/14	£1,457	£1,494	£19,951
Communities First - Upper Rhymney Valley Cluster 2013/14	£1,495	£1,474	-
Communities First - Mid Valleys West Cluster 2013/14	£1,026	£1,494	-

Breakdown of fee by grant/return	2014-15	2013-14	2012-13
Communities First - Mid Valleys East 2013/14	£989	£1,494	-
Communities First - Caerphilly Basin Cluster 2013/14	£ 1,457	£1,494	-
Housing benefit and council tax benefit	£29,663	£31,193	£36,778
NNDR	£3,898	£4,670	£3,607
Teachers' pensions returns	£1,977	£3,062	£2,925
School effectiveness grant	-	£502	£6,751
21st Century Schools	£1,907	£2,148	£1,706
Welsh in Education	-	£502	£4,016
Flying start - Revenue	£1,907	£2,521	£2,203
Flying start - Capital Expansion Programme	£2,470	£3,030	-
Families First (Cymorth)	£3,134	£3,328	£3,809
Free Concessionary Travel	£2,290	£2,371	£2,281
Sustainable Waste Management	£1,907	£1,719	£2,202
HRA subsidy	£4,644	£3,591	£3,514

Breakdown of fee by grant/return	2014-15	2013-14	2012-13
Learning pathways	-	£502	£1,865
Total fee	£86,321	£102,628	£124,462

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