



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2016-17 – **Caerphilly County Borough Council**

Audit year: 2016-17

Issued: January 2018

Document reference: CCBCCERT201617

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Summary report

- 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 Council) 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 the for 2016-17 the authority had adequate arrangements in place for the submission of its 2016-17 grant claims, there is scope for improvement. We are continuing to work with the authority to support these improvements in 2017-18.
- 4 For 2016-17 we certified 18 grant claims and returns (17 in 2015-16).
- 5 The Council submitted 17 out 18 of its 2016-17 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of some £54,070 (£57,230 for 2015-16). Overall, our work resulted in adjustments amounting to £14,848.48 to claims on a total grant value of £153,079,428 (0.001 % of total grant value). The actual breakdown is shown in [Exhibit 1: Breakdown of claims](#)

	£	Additional comments
Additional Grant to CCBC	0	
Grant to be Clawed Back from CCBC	£14,848.48	See exhibit 5 for details.
Disclosure Adjustments	0	See exhibit 5 for details.
Total	£14,848.48	

6. 1:18 of the claims were qualified; this is below the Welsh average of 1:4 for 2015-16, the most recent years for which all-Wales data is available.

Headlines

Exhibit 2: report headlines

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2016-17</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.• For 2016-17, we certified 18 grants and returns with a total value of £153,079,428.• 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 areas where improvements can be made to the processes in place.
Timely receipt of claims	<p>Our analysis shows that 94% of grants received during the year were received for audit by the Council's submission deadline. (100% in 2015-16 audit year), with only the Housing Benefit and Authority Tax Subsidy Return not being submitted to us by the deadline, despite it being completed in time by the Authority.</p>
Certification results	<p>We issued unqualified certificates for 17 grants and returns. A qualification and amendment was necessary on only the Housing Benefit and Authority Tax Subsidy return, representing one claim (6%).</p>
Audit adjustments	<p>Adjustments were necessary to a further three of the Council's grants and returns as a result of our auditor certification work this year. These are detailed below.</p>
The Council's arrangements	<p>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.</p>
Fees	<p>Our overall fee for certification of grants and returns for 2016-17 is £54,070 (£4,485 less than 2015-16).</p>

Summary of certification work outcomes

- 6 Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2016-17 grants and returns, showing where either audit amendments were made as a result of our work 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 2016-17

Key information for 2016-17

Overall, we certified 18 grants and returns:

- 14 were unqualified with no amendment
- 3 were unqualified but required some amendment to the final figures
- 1 was qualified and required some amendment to the final figures

Exhibit 4: summary of key outcomes

Ref – Para 9	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate with no adjustments
1	Housing Benefit and Authority Tax Subsidy (BEN01)	30/4/17	6/7/17	Yes				
2	Teachers' Pension (PEN05)	30/5/17	10/5/17	No				
3	Free Concessionary Travel (TRA23)	30/9/17	26/9/17	No				
4	Section 28a Annual Voucher – Wanless (HLG03)	30/9/17	18/9/17	No				
5	Section 28a Annual Voucher – Learning and Disability (HLG03)	30/9/17	18/9/17	No				
6	Flying Start – Capital (EYC02)	30/9/17	20/9/17	No				
7	Flying Start – Revenue (EYC01)	30/9/17	20/9/17	No				
8	21 st Century Schools (EDU18)	30/9/17	20/9/17	No				
9	Families First (EYC14)	30/9/17	24/8/17	No				
10	Communities First – Caerphilly Basin (RG03)	31/7/17	26/7/17	No				
11	Communities First – Upper Rhymney Valley (RG03)	31/7/17	26/7/17	No				
12	Communities First – Mid Valley East (RG03)	31/7/17	26/7/17	No				
13	Communities First – Mid Valley West (RG03)	31/7/17	26/7/17	No				
14	Land Drainage – Donkey's Field (LD02)	N/a	9/8/17	No				

15	Land Drainage – Glenview Terrace (LD02)	N/a	9/8/17	No				
16	Non Domestic Rate (LA01)	26/5/17	23/5/17	No				
17	Local Transport Grant (TRA15)	30/9/17	28/9/17	No				
18	Gwent Frailty Partnership (HLG01)	28/4/17	26/4/17	No				
Total					1	1	3	14

8 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	Actual Amendment
1	<p>Housing Benefit and Authority Tax Subsidy</p> <p>A number of issues were identified, which resulted in a qualification, including:</p> <p>Rent Allowances</p> <ul style="list-style-type: none"> • Eligible Overpayments (current year) – this is an error that has also been identified in prior years, where expenditure was misclassified as eligible overpayment rather than LA Error, this led to an extrapolated overstatement in cell 114 of £297. • 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 understatement in cell 113 of £3,792. <p>Rent Rebates (HRA)</p> <ul style="list-style-type: none"> • Eligible Overpayments – expenditure misclassified as eligible overpayments when it should have been LA error, this led to an extrapolated overstatement in cell 67 of £4,933. <p>Rent Rebates (Non – HRA)</p> <ul style="list-style-type: none"> • Expenditure up to the lower of one bedroom self-contained LHA Rate and upper limit – the expenditure was not correctly capped at the LHA rate. This led to an extrapolated overstatement of cell 12 of £16. <p>An amendment was also made to the claim as Overpaid (Non-HRA) Rent Rebates had been incorrectly classified as eligible overpayments instead of technical overpayments. 100% testing was completed which led to an adjustment of £984 to cells 27 and 28. This led to a reduction of subsidy in cell 028s of £394.</p>	-£394.00
2	<p>Teacher’s Pension</p> <p>The Employer Contributions in section 3 of the claim form had not been completed correctly based on payroll records. This was a transposition error between the tiers and had no impact on the total contributions paid and disclosed on the claim form. This was amended by officers.</p>	Amendment – disclosure only
3	<p>Flying Start Revenue</p> <p>Recoverable Value Added Tax was incorrectly included within the eligible expenditure amount claimed which in contrary to the Terms and Conditions of the grant. A further sample of expenditure was tested and the error extrapolated over the population subject to VAT to determine the potential error. As the potential error was over the Welsh Government threshold of £10,000, the claim form was amended. This reduced the grant claimed by the council by £14,454.48.</p>	-£14,454.48

4	<p>Communities First – Mid Valley West A transposition error occurred when completing the claim form, this had no impact on the grant amount claimed by the authority and was amended by officers for accuracy.</p>	Amendment – disclosure only
	Total effect of amendments to the Council	-£14,848.48

Recommendations

- 9 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.

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: issues

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
VAT incorrectly included within eligible expenditure	This could lead to a partial loss of grant monies if the total error made exceeds a permitted threshold set by the Welsh Government.	We recommend that the council implement procedures to ensure that all recoverable VAT on invoices paid by the council is excluded from the grant claim.	1	The findings of the audit will be discussed in the Accountancy Management Group and the correct treatment of VAT will be reinforced in all finance teams.	Finance Manager With immediate effect.
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>Three issues identified within the qualification letter have 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"> • the correct classification between claimant and local authority error. • correctly calculate the weekly income of a claimant with a focus on what pay elements are included and excluded. 	1	<p>The Authority is developing training material to deliver to staff based on the findings outlined in the audit report, this will be delivered before April 2018. In addition to this, there will be more in depth quality control checks on overpayments classification in order to mitigate this problem occurring again in the future.</p> <p>Staff have been issued guidance on the pay elements that are to be included and excluded in weekly income. They have also been advised to seek advice if they come across any unusual pay elements before assessing the claim.</p>	Housing & Council Tax Benefits Manager April 2018

Fees

10 Our overall fee for the certification of grants and returns was £54,070.

Exhibit 8: fees

Breakdown of fee by grant/return	2016-17	2015-16
Housing Benefit and Authority Tax Subsidy (BEN01)	£20,945	£25,697
Teachers' Pension (PEN05)	£3,287	£3,354
Free Concessionary Travel (TRA23)	£2,927	£2,500
Section 28a Annual Voucher – Wanless (HLG03)	£1,732	£1,673
Section 28a Annual Voucher – Learning and Disability (HLG03)	£1,732	£1,673
Flying Start – Capital (EYC02)	£1,680	£1,225
Flying Start – Revenue (EYC01)	£2,706	£1,524
21 st Century Schools (EDU18)	£1,409	£1,300
Families First (EYC14)	£1,680	£1,412
Communities First – Caerphilly Basin (RG03)	£1,133	£1,152
Communities First – Upper Rhymney Valley (RG03)	£1,133	£1,171
Communities First – Mid Valley East (RG03)	£1,133	£1,208
Communities First – Mid Valley West (RG03)	£1,133	£1,264
Land Drainage – Donkey's Field (LD02)	£1,335	£2,327
Land Drainage – Glenview Terrace (LD02)	£1,335	-
Non Domestic Rate (LA01)	£2,596	£3,520
Local Transport Grant (TRA15)	£1,250	£1,766
Gwent Frailty Partnership (HLG01)	£2,500	£2,211
Planning, admin & reporting	£2,424	£2,253
Total	£54,070	£57,230

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru