



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2017-18

Caerphilly County Borough Council

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The team who delivered the work comprised Barrie Morris (Engagement Lead), Gail Turner-Radcliffe (Manager) and Grace Hawkins (Assistant 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 2018-19.
- 4 For 2017-18 we certified 10 grant claims and returns and 1 narrative report (18 in 2016-17). The Council submitted all its 2017-18 grant claims to us on time. We can confirm that we have certified all the claims, at a total audit cost of £41,788 (£54,070 for 2016-17). Overall, our work resulted in two disclosure adjustments amounting to £177,870 on a total grant value of £159,355,313 (0.01% of total grant value).

Exhibit 1: Breakdown of claims

	£	Additional Comments
Additional Grant to CCBC	0	
Grant to be Clawed back from CCBC	0	
Disclosure Adjustments	177,870	See exhibit 5 for details
Total	177,870	

- 5 The proportion of claims that were qualified is 1:11 which compares favourably with the long-term Welsh average of 1:4 for 2015-16, 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 2017-18 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 10 claims with a total value of £159,355,313. • The financial element of Concessionary Fares (TRA23) is now included in the 'Summary of Certified Welsh Government Grants (LA99)'. Auditors were required to report on the management of Smartcard Data and ISAM chips under CI TRA23 • 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	<p>Our analysis shows that 100% per cent of claims given to us during the year were received by the deadline set for the Council in terms and conditions.</p>
Certification results	<p>We issued unqualified certificates for 9 claims and returns but a qualification was necessary in 1 case (11 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 (22 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	<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 2017-18 is £41,788 (£54,070 in 2016-17).</p>

- 6 The following page provides a summary of the key outcomes from our certification work on the Council's 2017-18 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 2017-18

Key information for 2017-18

Overall, we certified 10 grants and returns and issued 1 narrative report:

6 were error free

1 was qualified and required some amendment to the final figures

1 was unqualified but required some amendment to the final figures

2 had errors with low values (less than £10k) which did not require amendment or qualification

1 required a narrative report

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	30/04/2018	25/04/2018	No	Yes	Disclosure		
TRA15	Local Transport Grant	30/09/2018	25/09/2018	No			Disclosure	
RG03	Communities First – All Clusters	31/07/2018	06/07/2018	No				Yes
EDU18	21st Century Schools	30/09/2018	26/09/2018	No				Yes
LA01	Non-Domestic Rate	31/05/2018	31/05/2018	No				Yes
HLG01	Gwent Frailty Partnership	27/04/2018	25/04/2018	No				Yes
HLG03	Section 28a Annual Voucher - Wanless	30/09/2018	07/09/2018	No				Yes
HLG03	Section 28a Annual Voucher - Learning and Disability	30/09/2018	07/09/2018	No				Yes
PEN05	Teachers Pensions	31/05/2018	30/04/2018	No				Yes
LA99	Summary of Certified Welsh Government Grants	15/06/2018	31/05/2018	No				Yes
TRA23	Free Concessionary Travel <i>(The financial element of this claim is now included in the 'Summary of Certified Welsh</i>							

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
	<i>Government Grants (LA99)'. Auditors were required to report on the management of Smartcard Data and ISAM chips under CI TRA23).</i>							
	Total				1	£177,870	£0	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	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"> • Total expenditure related to cases not requiring referral to the rent officer – this error was identified in year where the incorrect rent liability was used when calculating the benefit. This led to an extrapolated overstatement in cell 102 of £71 with a corresponding understatement of cell 113. • 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 £541 with a corresponding understatement in cell 113. • 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 £0.46 with a corresponding understatement of cell 99. <p>Two of the ‘In year reconciliation’ cells on the claim form did not agree. This was reported in the Qualification Letter.</p> <p>An amendment was also made to the claim to ensure accuracy of information reported. Cell 229 (Average actual weekly rent per dwelling for 2017-18) was adjusted by £2.43 and Cell 230 (Rental Income for 2017-18) was adjusted by £177,868 to read £82.64 and £45,743,368 respectively. These adjustments had no impact on the subsidy claimed.</p>	<p>£0 (£177,870) disclosure only)</p>

Ref	Summary observations	Amendment Financial Impact
	<p><u>Local Transport Grant</u></p> <p>The claim was incorrectly completed in £000's causing an overstatement of the expenditure on the claim form. This was adjusted and has no impact on the grant award claimed.</p>	£0
	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>Two 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>We continue to strive for 100% accuracy by raising awareness of the errors that are found. We will also focus on training and carry out targeted checks where weaknesses have been identified.</p> <p>With regards to classification of overpayments it has to be noted that there has been an improvement to previous years. 80 claims were checked (40 Council Tenants and 40 Private Tenants). The 40 Council Tenant claims were all correct but unfortunately there was one Private Tenant where a small overpayment was misclassified. As a result of this we will deliver refresher training on overpayment classification and increase the percentage checking of overpayments to prevent this reoccurring.</p> <p>With reference to earnings we will also deliver refresher training and a process will be put in place whereby staff will escalate claims that have complex wages to seek advice before entering them for assessment. We will also increase the targeted checking of earned income claims in order to identify errors in miss keying amounts which is generally due to human error.</p>	<p>Amanda Main (Housing & Council Tax Benefits Manager)</p> <p>April 2019</p>

Fees

Our overall fee for the certification of grants and returns was £41,788.

Exhibit 8: Fees

Breakdown of fee by grant/return	2017-18	2016-17
Housing Benefit and Authority Tax Subsidy (BEN01)	£18,090	£20,945
Teachers' Pension (PEN05)	£2,920	£3,287
Free Concessionary Travel (TRA23)	£1,279	£2,927
Section 28a Annual Voucher - Wanless (HLG03)	£1,363	£1,732
Section 28a Annual Voucher - Learning and Disability (HLG03)	£1,363	£1,732
Flying Start - Capital (EYCO2)	N/A	£1,680
Flying Start - Revenue (EYC01)	N/A	£2,706
21st Century Schools (EDU18)	£1,773	£1,409
Families First (EYC14)	N/A	£1,680
Communities First - Caerphilly Basin (RG03)	N/A	£1,133
Communities First - Upper Rhymney Valley (RG03)	N/A	£1,133
Communities First - Mid Valley East (RG03)	N/A	£1,133
Communities First - Mid Valley West (RG03)	N/A	£1,133
Communities First - All Clusters (RG03)	£2,904	N/A
Land Drainage - Donkey's Field (LD02)	N/A	£1,335

Breakdown of fee by grant/return	2017-18	2016-17
Land Drainage - Glenview Terrace (LD02)	N/A	£1,335
Non-Domestic Rate (LA01)	£2,570	£2,596
Local Transport Grant (TRA15)	£1,111	£1,250
Gwent Frailty Partnership (HLGO1)	£1,688	£2,500
Single Statement (LA99)	£3,945	N/A
Planning, admin & reporting	£2,782	£2,424
Total fee	£41,788	£54,070

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