



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2015-16 – Caerphilly County Borough Council

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The team who delivered the work comprised Barrie Morris, Llinos Brown and Grace Hawkins on behalf of Anthony Barrett

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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 our programme of certification work and conclude that while the Authority had generally adequate arrangements in place for the production and submission of its 2015-16 grant claims, there is some scope for improvement. We are continuing to work with the Authority to make these improvements for 2016-17.
- 4 For 2015-16 we certified 17 grant claims, 4 less than 2014-15.
- 5 The Authority submitted all of its 2015-16 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of £57,230 (£59,340 in 2014-15).
- 6 The proportion of claims that were qualified was 2:17 of the claims were qualified; this compares well with the Welsh average of 1:5 for 2014-15.

Headlines

	<p>This report summarises the results of work on the certification of the Authority's 2015-16 grant claims and returns</p> <ul style="list-style-type: none"> • The authority has asked the Auditor General to certify its claims and returns and we perform our certification work on his behalf. • For 2015-16, we certified 17 grants with a total value of £151,708,803. • At the start of our grant audit work for 2015-16, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our proposed audit plan for completing grant work in the coming months. 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 further improvements which can be made to improve the processes.
Timely receipt of claims	Our analysis shows that 100% per cent of grants received during the year were received by the Authority's deadline.
Certification results	We issued unqualified certificates for 15 grants and returns but qualifications were necessary in 2 cases (12%).
Audit adjustments	<p>Adjustments were necessary to 4 of the Authority's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> • There were no significant adjustments (i.e. over £10,000) required. The net adjustment (below £10,000) is a decrease of £16.50 in funds payable to the Authority. For the remaining grants amended, the amendments had no impact on the funds payable to the Authority as they merely related to dates or to supplementary detail
The Authority's arrangements	<p>The Authority has adequate 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"> • A number of issues have been identified within the Housing Benefit claim which have also arisen in previous years. The Council should ensure that these recurring issues are addressed.
Fees	Our overall fee for certification of grants and returns for 2015-16 is £57,230.

Summary of certification work outcomes

- 7 Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2015-16 grants and returns, showing where either audit amendment was 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 amounts of grant claimed are appropriate.

<p>Overall, we certified 17 grants and returns: 12 were unqualified with no amendment 3 were unqualified but required some amendment to the final figures 1 required a qualification to our audit certificate, but no amendment to the final figures 1 was qualified and required some amendment to the final figures</p>

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Housing Benefit and Authority Tax Subsidy	30/04/16	28/04/16	No			0	
2	Teachers' Pension	27/05/16	05/05/16	No				
3	Free Concessionary Travel	30/09/16	22/09/16	No			-£16.50	
4	Section 28a Annual Voucher – Wanless	30/09/16	03/08/16	No			0	
5	Section 28a Annual Voucher – Learning and Disability	30/09/16	03/08/16	No			0	
6	Flying Start - Capital	30/09/16	16/09/16	No				
7	Flying Start - Revenue	30/09/16	15/09/16	No				
8	21 st Century Schools	30/09/16	16/09/16	No				
9	Families First	30/09/16	15/09/16	No				
10	Communities First – Caerphilly Basin	31/07/16	11/07/16	No				
11	Communities First – Upper Rhymney Valley	31/07/16	11/07/16	No				
12	Communities First – Mid Valley East	31/07/16	11/07/16	No				
13	Communities First – Mid Valley West	31/07/16	11/07/16	No				
14	Land Drainage	-	05/08/16	No				
15	Non Domestic Rate	27/05/16	20/05/16	No				
16	Local Transport Grant	30/09/16	07/09/16	No				
17	Gwent Frailty Partnership	29/04/16	25/04/16	No				
	Total				2*	£0	£-16.50	15*

* The ratio = 1: the number of certificates issued / number of qualifications and adjustments

9 This table summarises the key issues behind each of the adjustments or qualifications that were identified on page 7.

Ref	Summary observations	
1	<p>Housing Benefit and Authority Tax Subsidy: 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"> - Extended Payments – this is an error that was identified in prior years, where claimants were misclassified as an extended payment as they did not meet the criteria, this led to an extrapolated overstatement in cell 109 of £6,068. - Eligible Overpayments (current year) – this is an error that was 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 £7,137. - Total Expenditure (Benefit Granted) – this is an error identified in prior years, where the average weekly income was calculated incorrectly, this led to an extrapolated understatement in cell 113 of £6,100. - Total Expenditure in claims administered under LHA rules – the incorrect rent liability used. No extrapolation was required as all errors resulted in an understatement for subsidy purposes. <p><u>Rent Rebates (HRA)</u></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 £4,170. - Total Expenditure (Benefit Granted) – income tax was incorrectly included within statutory maternity pay. No extrapolation was required as all errors resulted in an understatement for subsidy purposes. <p><u>Rent Rebates (Non – HRA)</u></p> <ul style="list-style-type: none"> - Expenditure up to the lower of one bedroom self-contained LHA Rate and upper limit – the incorrect LHA rate was applied. No extrapolation was required as all errors resulted in an understatement for subsidy purposes. 	£0
2	<p>Teachers' Pension We identified from our sample that there was one case where a pension scheme was due to end on 28/10/2015 but the system failed to enforce the cut-off date for the contributions. Accordingly, the teacher was contributing until the end of the financial year and is therefore due a refund of £2,579. There has been no adjustment to the claim in respect of this error as the refund will be awarded in 2016/17 and shown on the 2016/17 claim form.</p>	£0
3	<p>Free Concessionary Travel 2 amendments required: The authority is entitled to a £3 administration allowance for the Smartcards in circulation. It had not calculated its allowance in the correct way.</p>	£-16.50

Ref	Summary observations	
	There was also a transposition error which required amendment to correct the arithmetic on the claim This resulted in a net amendment of £16.50, decreasing the amount of grant due to the Authority.	
4 & 5	Section 28a Annual Voucher – Learning and Disability & Wanless Part 3 of the claim form had the incorrect date and was amended to reflect a 31 March 2016 year-end. Therefore, there was no impact on the amount claimed from the Aneurin Bevan Local Health Board.	£0
	Total effect of amendments to the Authority	£-16.50

Proposals for Improvements

- 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	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.

Issue	Implication	Proposal	Priority	Comment	Responsible officer and target date
<p>Unapproved/ ineligible expenditure included – Housing Benefit</p>	<p>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.</p> <p>If overpayments are not classified correctly, the Authority will not realise the level of its total error.</p> <p>Some claimants will be overpaid and the Authority may have to request a repayment.</p>	<p>3 issues have been identified within the qualification letter have been recurring for a number of years.</p> <p>Therefore, 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"> - To correctly identify those eligible for extended payments of Housing Benefit. - To correctly classify between claimant and local authority error. - To correctly calculate the weekly income of a claimant with a focus on what pay elements are included and excluded. 	<p>1</p>	<p>The errors found in the 2015/16 audit did not impact on subsidy or overpayments. However, there is always a potential in risk in future of financial loss if these types of errors continue.</p> <p>Therefore, refresher training will be delivered to reinforce the potential risks and the importance of ensuring accuracy when classifying overpayments, calculating individual's earnings when assessing claims and awarding extended payments. In addition to this extra quality control checks will also be put in place to ensure that the training is effective and as a preventative</p>	<p>Amanda Main</p> <p>Quality Control - Immediate Effect</p> <p>Refresher Training – April 2017</p>

Issue	Implication	Proposal	Priority	Comment	Responsible officer and target date
				to mitigate this type of error reoccurring.	

Issue	Implication	Proposal	Priority	Comment	Responsible officer and target date
Payroll System Issue	Return for Teachers' Pension Contributions may be qualified.	<p>We identified from our sample, one case where a pension scheme was due to end in October 2015 however the system failed to enforce the cut-off date for the contributions.</p> <p>A further system error was identified where an additional contribution election remained with the post rather than the individual teacher.</p> <p>Therefore, we recommend that a review of the payroll system is completed to ensure the software issues do not remain for 2016/17.</p>	1	<p>There was a system error where an end date wasn't recognised by the payroll system – the payroll provider dialled in and resolved the issue.</p> <p>Payroll have set up a report which will identify any possible future errors where deductions are taken after an end date.</p> <p>Payroll staff have been advised to check any transfers or starters to ensure they are not inheriting pension schemes from the previous occupant.</p>	<p>Janine Sweeney</p> <p>Ongoing</p>

Issue	Implication	Proposal	Priority	Comment	Responsible officer and target date
Mathematical and factual accuracy of claim form	Claim may be adjusted to show the correct balance due and the true period which it relates to.	In line with best practice we would recommend that all mathematical calculations and accuracy of factual information is reviewed before the form is authorised.	3	The Authority will add an additional line to its grant check list to ensure that each claim submitted is checked to ensure that there are no mathematical errors prior to submission.	Paula Beaman Immediate Effect

Fees

11 Our overall fee for the certification of grants and returns.

Breakdown of fee by grant/return	2015-16	2014-15
Housing Benefit and Authority Tax Subsidy	£25,697	£29,663
Teachers' Pension	£3,354	£1,977
Free Concessionary Travel	£2,500	£2,290
Section 28a Annual Voucher – Wanless	£1,673	£1,570
Section 28a Annual Voucher – Learning and Disability	£1,673	£1,907
Flying Start - Capital	£1,225	£2,470
Flying Start - Revenue	£1,524	£1,907
21 st Century Schools	£1,300	£1,907
Families First	£1,412	£3,134
Communities First – Caerphilly Basin	£1,152	£1,457
Communities First – Upper Rhymney Valley	£1,171	£1,495
Communities First – Mid Valley East	£1,208	£989
Communities First – Mid Valley West	£1,264	£1,026
Land Drainage	£2,327	N/a
Non Domestic Rate	£3,520	£3,898
Local Transport Grant	£1,766	N/a
Gwent Frailty Partnership	£2,211	£3,650
Grant Administration	£2,253	-
Total	£57,230	£59,340

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