

Certification of Grants and Returns 2013-14

Neath Port Talbot County Borough Council

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Status of report

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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. For 2013-14, we issued 61 grant certificates (41 relating to South Wales Trunk Road Agency (SWTRA) claims) in respect of 17 grant schemes (67 certificates (34 SWTRA) and 20 schemes in 2012-13). These had an aggregate value of £175 million (£213 million in 2012-13). The grant value was £38 million less in 2013-14 mainly due to a reduction in grant received from the European Structural Fund (£30.9 million), the cessation of the Council Tax benefit scheme (£15.2 million), and netted against this an increase in grant received from the SWTRA (£5.7 million).
3. We undertook our work with the aim of certifying individual claims and to answer the question:
 - ‘Does Neath Port Talbot County Borough Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?’
4. We can confirm that we have certified all of the claims, at a total audit cost of some £68,000. Overall, the audit findings resulted in a reduction in grant due to the Council of £9,700.
5. We have been reporting for a number of years that the quality and accuracy of grant claims and returns and the Council’s grants control arrangements needed to improve. Whilst the percentage being qualified or amended has fallen slightly in 2013-14 we still have some concerns over the underlying grant management, claim preparation and control processes. For the purposes of reporting on the performance of grants management we have excluded the SWTRA claims from our calculations as they are outside the Council’s control. Our conclusion for 2013-14 is based on the following overall findings:
 - The quality of working papers and claim accuracy has improved in some areas, but there is scope for further improvement. Handover arrangements need to be strengthened when grants are passed to new officers to ensure knowledge of grant schemes and working paper requirements is not lost.
 - Fifty-five per cent of claims/returns were submitted late for audit (15 per cent 2012-13). The Council needs to ensure that grant submission deadlines are achieved.
 - Seventy-five per cent of claims/returns required amendment and/or qualification (78 per cent in 2012-13). The Council needs to address our recommendations in order to improve grant certification arrangements.
6. We are continuing to work with the Council to make improvements for 2014-15.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Council's 2013-14 grant claims and returns

- As appointed auditors of the Council, we are asked on behalf of the Auditor General, to certify grant claims made by the Council.
- For 2013-14, we certified 61 grants/returns (including 41 SWTRA claims) with a total value of £175 million compared to 67 grants/returns (including 34 SWTRA claims) with a value of £213 million in 2012-13.
- 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.

Pages 9 to 17

Timely receipt of claims

- Our analysis shows that 45 per cent of grants (excluding SWTRA) received during the year were received on time (85 per cent 2012-13). Of those submitted late, the EDU44 – Welsh in Education, EUR01 – South and West Workways, and TRA23 – Free Concessionary Travel grants were submitted one month late and the EDU15 – School Effectiveness, and the three RG03 – Communities First claims were submitted almost two months late.
- In future, grants officers should ensure that all grant claims are submitted by the deadline.

Pages 9 to 17

Certification results	<p>Qualifications were necessary to eight (40 per cent) (51 per cent in 2012-13) of the Council's grants and returns as a result of auditor certification work this year</p> <ul style="list-style-type: none"> • The qualifications indicate current areas of concern and weaknesses in the grant control environment. Qualification of a claim/return increases the audit time required, which leads to an increase in the audit fee levied on the Council. • Qualifications also lead to a higher risk assessment in the subsequent year, which in turn may increase the amount of substantive testing required. • In addition, where we qualify a claim/return, our findings are considered by the grant-paying body and, if they deem it appropriate, they may reduce the amount payable in respect of the qualification made. • It is important that grants officers consider the reasons for qualifications to grant claims/returns in the year and take actions to address these issues for subsequent years 	<p>Pages 9 to 17</p>
Audit amendments	<p>Amendments were necessary in eight (40 per cent) (36 per cent 2012-13) cases</p> <ul style="list-style-type: none"> • There was only one significant amendment (ie, over £10,000). An amendment of -£11,443 was made on the EYC01 – Flying Start Revenue Grant to decrease grant entitlement as grant paid over to a third party remained unspent at the year-end and was therefore ineligible. • The net amendment of the eight grants is a decrease of £9,674 in funds payable to the Council. • Although amendments are not significant in financial terms they do highlight weaknesses in the grants management process which in turn impact on the level of testing needed and reputation of the Council with grant paying bodies. 	<p>Pages 9 to 17</p>
	<p>NB the flying start revenue grant was both qualified and amended therefore in total 15 out of 20 claims qualified and/or amended. (75 per cent)</p>	

The Council's arrangements

The Council's arrangements for preparing its grants and returns and supporting our certification work require improvements in some areas

- We have found that the appointment of a Grants Co-ordinator with assigned responsibilities for all stages of grant management is pivotal in the effective management of the submission of grant claims/returns for audit. There is no such role at the Council. We believe the creation of this role would significantly improve the efficiency of the grant audit process ([Recommendation 1](#)).
- We have previously provided officers with a Grants Completion Checklist to be included with each grant claim file. This contains a list of self-assessment questions and working paper requirements which the Grants Officer is required to complete and sign as prepared. The Group Accountant is required to confirm that the claim is appropriate and fit for audit and he/she is satisfied with the way in which the grant is compiled. This checklist was not, however, completed for a number of the claims submitted for audit. Grant officers should be reminded that the Grants Completion Checklist should be completed for all claims and that adequate working papers and claim accuracy must be maintained ([Recommendation 2](#)).
- Significant delays were experienced in getting replies to audit queries in a number of cases, we acknowledge that audit queries that relate to third parties' expenditure will sometimes 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 ([Recommendation 7](#)).

Pages 9 to 17

Fees

Our overall fee for certification of grants and returns for 2013-14 is £68,000 which was within our original estimate of £105,000 to £115,000

- Our overall fee for certification of grants and returns for 2013-14 is £68,000 which was lower compared to 2012-13 (£110,000). This is due primarily to a reduction in the number of EUR01 – European Structural Funds and RG01/02 – Communities First audits required and a reduction in BEN01 following the cessation of the Council Tax Benefit element of the claim and not due to an improvement in grants management.

Summary of certification work outcomes

7. Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2013-14 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 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.

Key information for 2013-14

Overall, we certified 61 grants and returns (including 41 SWTRA claims):
forty-six (including the 41 SWTRA claims) were unqualified with no amendment;
seven were unqualified but required some amendment to the final figures;
seven required a qualification to our audit certificate; and
one was qualified and required some amendment to the final figures.

Ref –	CI ref	Grants and returns	Claim due	Claim received	Late	Key:	Un Qualified certificate	Adjusted claim	Qualified certificate	
						Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate	
1	BEN01	Housing Benefit and Council Tax Benefits Scheme	30/04/14	30/04/14	No			£8,395.00		
2	EDU15	School Effectiveness Grant	30/09/14	24/11/14	Yes	Qualified				
3	EDU18	Transitional SBIG (21st Century Schools)	30/09/14	18/09/14	No			No value impact		
4	EDU43	14-19 Learning Pathways	30/09/14	01/10/14	Yes				Unqualified	
5	EDU44	Welsh in Education	30/09/14	24/10/14	Yes	Qualified				
6	EUR01	South and West Workways – 31/12/2014 FINAL	21/01/15	02/03/15	Yes				Unqualified	
7	EUR01	NPT Regeneration – Interim	14/10/14	29/10/14	Yes	Qualified				
8	EYC01	Flying Start – Revenue	30/09/14	30/09/14	No	Qualified	-£11,443.01			
9	EYC02	Flying Start – Capital	30/09/14	15/08/14	Yes				Unqualified	

Ref – Para 8	CI Ref	Grants and returns	Claim due	Claim received	Late				
10	EYC14	Families First	30/09/14	30/09/14	No			-£7628.00	
11	HC02	Substance Misuse Action Fund Revenue	30/09/14	30/06/14	No				Unqualified
12	LA01	National non-domestic rates return	30/05/14	27/05/14	No			No value impact	
13	LA12	Sustainable Waste Management	30/09/14	24/09/14	No			No value impact	
14	PEN05	Teachers' Pensions RETURN	30/06/14	02/06/14	No			£0.10	
15	RG03	Communities First – New Programme – Neath Cluster	31/07/14	24/09/14	Yes	Qualified			
16	RG03	Communities First – New Programme – Afan Cluster	31/07/14	24/09/14	Yes	Qualified			
17	RG03	Communities First – New Programme – Western Valleys	31/07/14	30/07/13	Yes	Qualified			

Ref – Para 8	CI Ref	Grants and returns	Claim due	Claim received	Late				
18	SOC07	Social Care Workforce Development Programme	27/09/14	30/06/14	No				Unqualified
19	TRA23	Free Concessionary Travel	30/09/14	29/10/14	Yes			£1002.00	
20	TRA23	Free Concessionary Travel – smart card data	30/09/14	29/10/14	Yes	Qualified			
Totals						8	-£11,443.01	£1,769.10	5
	TRA10	SWTRA – Capital – Management Unit and other capital costs – 28 claims	30/09/14	29/09/14	No				Unqualified
	TRA10	SWTRA – Revenue – 13 claims for routine and other maintenance	30/09/14	29/09/14	No				Unqualified

This table summarises the key issues behind each of the adjustments or qualifications that were identified on [pages 9 to 11](#).

Ref	Summary observations	Amendment
1	Housing Benefit and Council Tax Subsidy A number of amendments were made to the claim which have been discussed separately with the Council's Housing Benefit team. These amendments resulted in a net increase of £8,395 in the amount payable to the Council.	£8,395
2	School Effectiveness Grant We qualified our certificate for a number of reasons: <ul style="list-style-type: none">• eligible expenditure stated on the claim form had been restricted to the approved amount, the claim form instructions requiring that the total expenditure be included (Recommendation 2);• a match funding amount stated on the claim form was incorrect (Recommendation 2); and• the Council was unable to provide sufficient evidence to confirm the eligibility for inclusion in the claim of 12 transactions totalling £567,843.76 (Recommendation 3).	N/A
3	Transitional SBIG We amended the claim form as the grant entitlement figures of £3,200,000 and £777,600 had been omitted (Recommendation 2).	No value impact

Ref	Summary observations	Amendment
5	<p>Welsh in Education</p> <p>We qualified our certificate because:</p> <ul style="list-style-type: none"> the grant allocation stated on the claim form was £8,548.31 higher than the amount per the funding letter received from the Welsh Government. The Council provided an explanation for the difference but was unable to provide documentation to support the explanation provided (Recommendation 3); and the Council was unable to provide sufficient evidence to confirm the eligibility for inclusion in the claim of four transactions totalling £69,676.85 (Recommendation 3). 	N/A

Ref	Summary observations	Amendment
7	<p>NPT Regeneration</p> <p>We qualified our report because:</p> <ul style="list-style-type: none"> • £2,041.20, being a proportion of an invoice totalling £2,301.90 had been included in eligible expenditure twice; • £183.56 of an invoice for maintenance costs was ineligible for the claim as it related to a period outside of the approved claim period; • transactions totalling £4,620.00 charged by the Adult Community Learning Team (ACLT) for courses held at Croeserw CEC were not supported by adequate audit evidence to allow us to confirm that the charges were properly calculated and defrayed; • match funding totalling £492.20 was included in the claim form, however, review of the ledger confirmed that this had been reversed in a subsequent period and was therefore not an eligible match funding transaction (Recommendation 2); • seven transactions totalling £2,324.32 which were correctly classified as ineligible within the previous claim period had been incorrectly transferred to eligible expenditure in this claim period (Recommendation 2); • eligible salary costs had been understated in the claim by £2,324.32 (Recommendation 2); • an adjustment to correct staff costs from eligible to ineligible had been incorrectly calculated resulting in an understatement of the movement of staff costs from eligible and ineligible of £3,701.81 (Recommendation 2); • 13 transactions totalling £5,429.71 had been omitted from the claim form (Recommendation 2); • a number of errors in classification of match funding income between eligible and ineligible were identified within the transaction listing supporting the claim due to incorrect processing of adjustments to correct prior years reported issues (Recommendation 2); • six income transactions totalling £1,246.85 had either been omitted from the claim or incorrectly included as credits instead of debits (Recommendation 2); and • two income transactions had been included gross within the claim, thus being overstated by the VAT element totalling £295.86 (Recommendation 2). 	N/A

Ref	Summary observations	Amendment
8	<p>Flying Start – Revenue</p> <p>An amendment was made to reduce expenditure by £11,443.01 for grant funding passed onto a third party which remained unspent by the recipient at the year-end. This had not been adjusted in the claim form due to a lack of monitoring of third-party spending by the Council.</p> <p>In addition, we qualified our certificate for the following reasons:</p> <ul style="list-style-type: none"> • £6,049 of expenditure related to goods which were not received until after 31 March 2014 (Recommendation 4); • in addition, only one quote had been obtained for the expenditure noted above, which is not in accordance with the Council's Contract Procedure Rules (Recommendation 5); • the Council had undertaken insufficient monitoring of two grant amounts, totalling £40,319.51, paid to a third party, therefore we could not evidence that the third party had spent the allocation within the claim period; and • supporting evidence obtained by the Council for a grant amount paid to a third party confirmed that the third party had underspent against this allocation by £517, however, the claim form had not been reduced by this underspend. 	-£11,443.01
10	<p>Families First</p> <p>An amendment was made to reduce the claim by £7,628 for grant funding passed onto a third party which remained unspent by the recipient at the year-end. This had not been adjusted in the claim form due to a lack of monitoring of third-party spending by the Council.</p>	-£7,628
12	<p>NDR</p> <p>Minor amendment on the claim form as an incorrect date had been included within the claim form (Recommendation 2).</p>	No value impact
13	<p>Sustainable Waste Management Grant</p> <p>An amendment was required to correct the Capital grant-received-to-date figure by £270 due to a transposition error (Recommendation 2).</p>	No value impact

Ref	Summary observations	Amendment
14	<p>Teachers' Pensions Return</p> <p>A minor amendment was required to correct an understatement in the Contributory Salary figure disclosed in the return (Recommendation 2).</p>	£0.10
15	<p>Communities First – New Programme – Neath Cluster</p> <p>We qualified our certificate because:</p> <ul style="list-style-type: none"> the Council was unable to provide a reconciliation between the expenditure stated on the claim form of £543,866.30 and that per the ledger records of £550,455.14 (Recommendation 3); the Council was unable to provide a reconciliation of payroll costs between those stated on the claim of £421,460.24 and the payroll system records of £379,167.22 (Recommendation 3); and as the Council was unable to provide a reconciliation of the expenditure recorded on the claim (as reported above), we were unable to select a sample of expenditure transactions to confirm the eligibility of expenditure (Recommendation 3). 	N/A
16	<p>Communities First – New Programme – Afan Cluster</p> <p>We qualified our certificate because:</p> <ul style="list-style-type: none"> the grant allocation stated on the claim form did not agree with the notification of grant allocation from the Welsh Government or the CF8 checker (Recommendation 2); the Council was unable to provide a reconciliation between the expenditure stated on the claim form of £540,619.15 and that per the ledger records of £538,379.89 (Recommendation 3); the Council was unable to provide a reconciliation of payroll costs between those stated on the claim of £420,354.11 and the payroll system records of £398,439.92 (Recommendation 3); and as the Council was unable to provide a reconciliation of the expenditure recorded on the claim (as reported above), we were unable to select a sample of expenditure transactions to confirm the eligibility of expenditure (Recommendation 3). 	N/A

Ref	Summary observations	Amendment
17	<p>Communities First – New Programme – Western Valleys</p> <p>We qualified our certificate because:</p> <ul style="list-style-type: none"> the Council was unable to provide a reconciliation between the expenditure stated on the claim form of £501,258.94 and that per the ledger records of £501,644.80 (Recommendation 3); the Council was unable to provide a reconciliation of payroll costs between those stated on the claim of £355,158.92 and the payroll system records of £324,127.39 (Recommendation 3); and as the Council was unable to provide a reconciliation of the expenditure recorded on the claim (as reported above), we were unable to select a sample of expenditure transactions to confirm the eligibility of expenditure (Recommendation 3). 	N/A
19	<p>Free Concessionary Travel</p> <p>An amendment was required to increase the figure in line 3d (administration costs) by £1,002 due to the original figure being calculated using incorrect data.</p>	£1,002
20	<p>Free Concessionary Travel – smart card data</p> <p>We qualified our certificate because information was not available in relation to all of the participating operators and therefore the overall percentage of data provided from all participating operators could not be identified.</p>	N/A
	Total effect of amendments to the Council	-£9,673.91

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.

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
Grants Co-ordinator not in place.	<ul style="list-style-type: none"> • Claims may be qualified. • The Council may not have claimed its full entitlement. • The Council has not complied with the terms and conditions of grant. • Lack of audit trail for public monies. 	R1 The Council should consider appointing a Grants Co-ordinator with assigned responsibility for all stages of grant management.	2	Budget constraints mean that this will not be possible. However, the current review being carried out on grants administration is expected to make recommendations that will achieve the same aims.	David Rees – Review to be completed by July/August 2015.
Claim not prepared correctly: <ul style="list-style-type: none"> • Arithmetic incorrect. • Ineligible expenditure included. • Eligible expenditure or income omitted. • Payments on account incorrect. • Expenditure and income incorrectly classified as eligible/ineligible. • VAT incorrectly included on transactions. 	<ul style="list-style-type: none"> • Claims may be qualified. • Grant may be reclaimed by the Welsh Government. • The Council may not have claimed its full entitlement. • The Council may be claiming grant for instalments already received. 	R2 Claim forms are correctly completed for each grant. A Grant Checklist should be completed and reviewed for each claim.	2	Agreed and will be implemented as part of the review recommendations.	David Rees – Review to be completed by July/August 2015.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Lack of supporting evidence to support the claim for funding:</p> <ul style="list-style-type: none"> No evidence provided. No evidence of approval of revised grant allocations. Insufficient evidence to confirm the eligibility of expenditure. No reconciliation of claim figures to underlying records and accounting systems. 	<ul style="list-style-type: none"> Lack of audit trail for public funds. The Council has not complied with the terms and conditions of grant. Claims may be qualified. Grant may be reclaimed by the Welsh Government. 	<p>R3 The Council should put in place systems and controls to ensure that the claim is totally supported by source documentation such as ledger prints/invoices/ calculation of apportionments.</p>	<p>2</p>	<p>The systems for this information are in place. We must ensure however, that there is a discipline to provide adequate information on each grant. We need to work with WAO to ensure that the level and amount of documentation requested is reasonable.</p>	<p>David Rees – Review to be completed by July/August 2015.</p>
<p>Unapproved/ineligible expenditure included:</p> <ul style="list-style-type: none"> Activity outside the claim period. 	<ul style="list-style-type: none"> The Council has not complied with the terms and conditions of grant. Claims may be qualified. Grant may be reclaimed by the Welsh Government. Reduction in future years' grant. 	<p>R4 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 in any doubt of the eligibility of expenditure.</p>	<p>2</p>	<p>Agreed. This should be covered by the revised guidance that will come from the review.</p>	<p>David Rees – Review to be completed by July/August 2015.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>One contract not awarded in accordance with AIB procurement procedures:</p> <ul style="list-style-type: none"> Council procurement procedures not followed. 	<ul style="list-style-type: none"> Claims may be qualified. Grant may be reclaimed by the Welsh Government. The Council has not complied with the terms and conditions of grant. 	<p>R5 The Council should ensure that it complies with procurement procedures when awarding all contracts.</p>	<p>2</p>	<p>Agreed. I would expect this to be an isolated incident but a reminder will be sent to all relevant staff.</p>	<p>David Rees May 2015.</p>
<p>Lack of monitoring of third parties</p> <ul style="list-style-type: none"> Inadequate systems in place between the Council and the third party to ensure grant has been used for the purposes intended or has been fully spent within the claim period. 	<ul style="list-style-type: none"> Claims may be qualified. Grant may be reclaimed by the Welsh Government. The Council has not complied with the terms and conditions of grant. 	<p>R6 The Council must have adequate procedures in place to satisfy itself, its auditor and the grant-paying body that only eligible expenditure incurred by third parties is included in the claim. Such procedures may include obtaining independently certified statements from third parties, a payments monitoring system or a system of spot checks performed by the Council on the third party.</p>	<p>2</p>	<p>There are limits to the amount of information we can sometimes get from a third party and to the level of access we can get to their information. We will however include procedures in the review to endeavour to meet this recommendation.</p>	<p>David Rees – Review to be completed by July/August 2015.</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Delays in responses to audit queries:</p> <ul style="list-style-type: none"> The audit of grant claims and returns is held up due to lengthy delays in responding to audit queries 	<ul style="list-style-type: none"> Audited claim submission deadlines may be missed. Increased time and audit fees required to follow up responses to queries. Qualifications may arise if queries remain unanswered. 	<p>R7 The Council should ensure that all audit queries are responded to on a timely basis, typically within two working days. Where this is not possible the Council should agree a reasonable timescale for responses with the auditor.</p>	<p>2</p>	<p>Agreed. It will not always be possible to meet a two day timescale but where it is not possible a reasonable alternative timescale should be agreed with WAO and met.</p>	<p>David Rees – Review to be completed by July/August 2015.</p>

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