



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2015-16 – Vale of Glamorgan Council

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Summary

- 1 The Vale of Glamorgan Council (the Council) is responsible for preparing a range of grant claims and returns for submission to grant paying bodies. In our role as your external auditors, we are required to certify these in accordance with the respective certification instructions and conclude on whether expenditure has been incurred in accordance with the relevant terms and conditions. We have now certified all of the Council's grant claims and returns for 2015-16 and this report provides a summary of our certification work.
- 2 For 2015-16 we certified 11 grant claims, three fewer than in 2014-15 (Sustainable Waste, Local Transport Fund and the Housing Revenue Account Subsidy return did not require certification in 2015-16). The associated grant and return value amounted to £103m in 2015-16 compared to £108 m in 2014-15.
- 3 The Council submitted all of its 2015-16 grant claims to us on time and we can confirm that we have certified all of the claims. Overall our certification work resulted in a £26,191 reduction in the amount of grant due to the Council. In addition, two of the claims were qualified (18%) which compares favourably with last year when four claims were qualified (29%) and the Welsh average of 25% for 2014-15.
- 4 Our audit fee for the certification work amounted to £59,000. The 2014-15 audit fee amounted to £55,000.
- 5 Further information upon the outcome and findings, together with related recommendations, is included within the main body of this report.

Summary of certification work outcomes

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2015-16 grant claims and returns</p> <ul style="list-style-type: none">• As appointed auditors of the Council, we are asked on behalf of the Auditor General, to certify grant claims made by the Council.• For 2015-16, we certified 9 grants with a total value of £51,446,711 and 2 returns with a total value of £51,477,849.• We provided, in advance of certification, an index of the expected grants for certification and the Operational Manager Accountancy confirmed which grants would require certification along with the names of key contact officers involved in grant claim preparation.• 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	<ul style="list-style-type: none">• The Council submitted all of its claims within the required deadlines. The Council also responded to audit queries promptly.
Certification results	<p>We issued unqualified certificates for nine grants and returns but qualifications were necessary in two cases (18 per cent)</p> <p>The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and issues which have come to our attention (for the first time) during our grant work carried out in 2015-16:</p> <p>1) Qualification issues reported in previous financial years</p> <p>Our qualification letter on the Housing benefit claim refers to a combination of errors that have been reported in previous years and those arising for the first time this year. We have identified these in our qualification letter to the Department for Works and Pension (DWP) and are referred to in greater detail at pages 9 and 10.</p>

	<p>2) Qualification issues arising for the first time in 2015-16</p> <p>On the Communities First claim, we qualified our certificate with regard to a number of payments not having been certified for payment by an authorised officer, thereby not satisfying the scheme requirements. We understand the officer has subsequently become an authorised signatory.</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to one of the Authority's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> • A reduction of £26,191 was made on the Housing Benefit claim being the net effect of a number of cell amendments on that claim.
<p>The Authority's arrangements</p>	<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work.</p> <ul style="list-style-type: none"> • We were provided with a schedule of expected grants for certification and contact names in order to plan for our certification work. • The Council uses a standard certification checklist as part of its claims preparation process that is signed by the key contact and authorised by a certifying officer.
<p>Fees</p>	<p>Our overall fee for certification of grants and returns for 2015-16 is £59,224 which exceeds our original estimate of £50,000 to £55,000</p> <ul style="list-style-type: none"> • The main reason for our actual fee exceeding the estimate was the greater than expected level of audit work required to complete our certification of the Housing Benefits claim. We identified a number of errors on the claim that required a significant level of additional testing in line with the scheme guidance. We also provided input and support to the Council in clearing outstanding issues in relation to the 2014-15 housing benefits audit. In addition to producing a qualification letter to the DWP, we have also produced a summary of other matters to the Operational Manager - Revenues and Exchequer to facilitate further improvement in the 2016-17 claim arrangements.

- 6 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 amendments were made as a result of our work or where we had to qualify our audit certificate.
- 7 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 2015-16

Overall, we certified 11 grants and returns:

9 were unqualified with no amendment

0 were unqualified but required some amendment to the final figures

1 required a qualification to our audit certificate with no amendment to the claim

1 was qualified but required some amendment to the final figures

Ref – Para 7	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
[1]	NNDR	31 May	27 May	No		0	0	
[2]	21 st Century Schools	30 Sept	30 Sept	No		0	0	
[3]	Transitional SBIG	30 Sept	30 Sept	No		0	0	
[4]	Housing Benefit Subsidy	30 April	29 April	No		£-26,191	0	
[5]	Teachers Pensions	31 May	09 May	No		0	0	
[6]	Communities First	31 July	19 July	No				
[7]	Flying Start	30 Sept	09 Sept	No		0	0	
[8]	Families First	30 Sept	09 Sept	No		0	0	
[9]	Flying Start Capital	30 Sept	29 Sept	No		0	0	
[10]	Social Care Workforce Development	30 Sept	30 Sept	No		0	0	
[11]	Free Concessionary Travel	30 Sept	21 Sept	No		0	0	
	Total				2	£26,191	£0	9

8 This table summarises the key reasons for the each of the adjustments or qualifications that we made as a result of our grants certification work.

Ref	Summary observations	Amendment
[1]	<p>Communities First Grant</p> <ul style="list-style-type: none"> The Communities First Grant was qualified due to a number of payments not having been certified for payment by an authorised signatory. We note that the signatory has subsequently been added to the authorised list. (See Recommendation 1). 	£ n/a
[2]	<p>Housing Benefit Subsidy – Qualification Items</p> <ul style="list-style-type: none"> Upating Incapacity Benefit (IB) and Severe Disablement Allowance (SDA) – The Housing Benefit Subsidy was qualified due to a discrepancy between the Incapacity Benefit (IB) and Severe Disablement Allowance (SDA) Academy in the benefits system used by the Authority and the rates specified. In 2015-16, the basic rates of IB and SDA increased by 1.2%. The Authority uprated these correctly but, in the process uprated other components by the same percentage where not necessary. Assessment of employed earnings and working hours – Our testing of initial case samples identified two rent rebate claims and two rent allowance claims with errors in the calculation of average earnings and working hours (the incorrect working hours resulting in the additional earnings disregard being given in error). The findings indicated a cross-cutting issue with the assessment of earnings not contained to a single section of the claim form. We tested a further sample to assess the extent of the error and identified a total error of £956. Incorrect bedroom requirements – Our testing of the initial sample identified one case where, in 2015-16, benefit had been overpaid by £574 because a member of the household moved out and the Authority did not reduce the claimant’s bedroom requirements. Our extended testing identified no further errors and in this instance the claim was not amended as the Council’s system will adjust for this item in the current year as will therefore be corrected for in the 2016-17 claim. 	£ n/a

Ref	Summary observations	Amendment
	<ul style="list-style-type: none"> • Statutory Maternity Pay (SMP) income – Our testing of the initial sample identified one case where benefit had been overpaid by £27 because the Authority miscalculated the claimant’s income from SMP. Our extended testing identified a further six cases where benefit had been overpaid in total by £147 and in line with guidance the claim was amended. • Incorrect uprating of tax credits – Our testing of the initial sample identified one case where the Authority had overpaid benefit by £24 because of a processing error when the claimant’s tax credits were uprated in April 2015, and an award of Working Tax Credit was removed from the claim in error. Our extended testing identified one further case where benefit had been overpaid by £19 due to a similar error in the uprating of tax credits however in this instance and again in line with guidance the claim was not amended. • Rent increases taking effect after the start of a new claim – Our testing of the initial sample identified two cases where the Authority had overpaid benefit by a total of £84 when new claims were submitted from longstanding tenants who had rent increases shortly after the start of the claims, but the Authority applied the higher rents from the beginning of the claims in error. Our extended testing identified no further errors and again in this instance no amendments were made to the claim. <p>The total value of these areas subject to qualification have been subject to extrapolation, per DWP’s requirements, and the total aggregate value of this is a maximum potential reduction in the claim of £41,517. The DWP are however reviewing the qualification letter and will be in contact with the Council in due course regarding the outcome of this.</p>	
[3]	<p>Housing Benefit Subsidy – Main Amendments</p> <ul style="list-style-type: none"> • Our audit work resulted in a decrease in the amount of subsidy payable to the Council by £26,191: <ul style="list-style-type: none"> ○ £23,702 resulted from a misclassification of overpayments between ‘other error’ and ‘LA error’ form; and 	£-26,191

Ref	Summary observations	Amendment
	<ul style="list-style-type: none"> ○ £3,236 related to a misclassification of overpayments between 'technical' and 'claimant' error. • There were a number of other minor amendments in the claim that had no impact on the actual amount due to the Council 	
[4]	<p>Housing Benefit Subsidy – Other Matters</p> <ul style="list-style-type: none"> • We reported a number of other observations in our qualification letter to the DWP that did not result in amendments to the claim but which were required by the guidance. • We have also provided a separate schedule of other observations and recommendations from our work on this certification to the Operational Manager Revenues and Exchequer, and the Principal Housing Benefits officer. These include specific references to; <ul style="list-style-type: none"> ○ Consideration of whether the claimant submitted adequate evidence to support earnings; ○ Confirmation of whether self-employed earnings declarations need updating; ○ A potential change of circumstance for a claimant; ○ Treatment of overpayments arising from a change in address possibly resulting in under claimed subsidy; and ○ Other areas of potential improvement and good practice. • The Principal Housing Benefit officer should evaluate the nature of matters identified in the qualification letter and our other observations to consider how the process may be improved in readiness for next year. (Recommendation 1) 	n/a
	Total effect of amendments to the Authority	£-26,191

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 our 2016-17 grants certification work.

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	Recommendation	Priority	Comment	Responsible officer and target date
Payments were not made in line with requirements as some Communities First invoices were certified for payment by someone who was not an authorised signatory.	Claims may be qualified	R1 Ensure all invoices are authorised by an individual who is an authorised signatory	[2]	These findings are accepted. In response all grant managers will be contacted requesting them to confirm who is certifying invoices for grant claims and confirm what their limits are. This will then be checked to records	Operational Manager, Accountancy April 2017
There were a number of errors and other issues identified in our certification of the Housing Benefit claim.	Grant may be reclaimed by the Department of Works and Pensions	R2 The Council should evaluate the nature of matters identified in the qualification letter and our other observations document to consider how the process may be improved in readiness for next year	[2]	These findings are accepted The processes within the HB service will be reviewed to address the particular issues raised	Operational Manager, Exchequer Services May 2017

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