

Certification of claims and returns - annual report

Kent County Council

Audit 2009/10

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Summary

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to ensure grant conditions are met. This report summarises the findings from the certification of 2009/10 claims.

Certification of claims

- 1** Kent County Council receives more than £1.8 billion funding from various grant paying departments. Some departments attach conditions to the grants, which the Council must meet to ensure the funding is not put at risk.
- 2** In 2009/10, my audit team certified five claims with a total value of £153 million. All claims were certified without amendment or qualification. Appendix 1 sets out a full summary.
- 3** The fees I charged for grant certification work in 2009/10 were £16,192.

Background

4 The Council claims income for specific activities from grant paying departments. As a significant income stream, it is important that appropriate management arrangements are in place. In particular this means:

- an adequate control environment over each claim and return; and
- a clear evidence trail to show that grant conditions are met;
- government deadlines are met.

5 I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Kent County Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.

6 The key features of the current arrangements are as follows.

- For claims and returns below £125,000 the Commission does not make certification arrangements;
- For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree claims to underlying records, but do not undertake any testing of eligibility of expenditure;
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means the audit fees for certification work are reduced if the control environment is strong.
- For claims spanning more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

7 Of the five claims audited, two were a limited review and three a full review.

Findings

Control environment

8 My audit team assesses the following items that comprise the control environment:

- Arrangements to ensure claims and returns are completed accurately and follow the scheme terms and conditions;
- including internal financial control and internal audit review;
- Quality of supporting working papers;
- Expertise and relevant knowledge of preparers, including the adequacy of supervision and review; and
- Cumulative knowledge of the problems associated with compilation of this claim or return including previous points arising, any known concerns expressed by the grant-paying body or any actions/decisions by the grant-paying body on previous qualification letters.

9 All claims certified in 2009/10 were over the £500,000 certification threshold. I concluded that I could rely on the control environment for two claims: School Centred Initial Teacher Training return (EDU06) and Sure Start, Early Years and Childcare grant claim (EYC02). I also assessed the control environment for two new claims, both Local Transport Plan Major Project schemes, and concluded that I could rely on the control environment.

10 I was unable to rely on the control environment for one claim: Teachers' Pensions Return. I identified the following weaknesses in the control environment assessment:

- Overall risk - The return is high-risk as there are a large volume of transactions;
- Cumulative problems - the return was subject to qualification in 2008/09 for two issues where the Council did not:
 - carry out a review of the information included in Part B of the return which is provided by third parties before certifying the claim; and
 - obtain supporting documentation from schools who carry out their own payroll service.

Audit testing during 2009/10 confirmed the Council has addressed these qualification issues.

Specific claims

11 Appendix 1 sets out the specific claims I certified in 2009/10. I did not have to request amendments to any of the claims as a result of my work. I did however, identify a small number of improvements that could be made in the Council's arrangements as reported below:

- Two claims were submitted after the deadlines specified by the government departments (School Centred Initial Teacher Training -8 weeks late and Teachers' Pensions Return - 3 weeks late)
- For some of the claims it was not clear which officer is responsible for liaising with the auditor when the claim is completed by different departments or external bodies. This has the potential to delay the audit and incur unnecessary costs to the Council.

Recommendation

- R1** The officer responsible for certifying the claim should ensure that it is submitted to audit before the deadline set by the grant paying body.
- R2** The Council should ensure that key contacts are available for all grant claims to provide supporting evidence and respond to auditor queries.
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Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £	Adequate control environment	Amended	Qualification letter
School Centred Initial Teacher Training (EDU06)	750,350	Yes	No	No
Sure Start, Early Years and Childcare grant (EYC02)	47,409,127	Yes	No	No
Teachers' Pensions Return (PEN05)	87,845,901	No	No	No
Major Transport Plan: Sittingbourne Northern Relief Road (TRA11)	6,534,429	Yes	No	No
Major Transport Plan: East Kent Access Phase 2 (TRA11)	10,946,000	Yes	No	No

Appendix 2 Action Plan

Recommendations

Recommendation 1

The officer responsible for certifying the claim should ensure that it is submitted to audit before the deadline set by the grant paying body.

Responsibility	Keith Abbott and Richard Hallett
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Priority	High
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Date	1 April 2011
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Comments	None
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Recommendation 2

The Council should ensure that key contacts for the grant claims to provide supporting documentation and respond to auditor queries.

Responsibility	Keith Abbott and Richard Hallett
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Priority	Medium
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Date	1 April 2011
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Comments	None
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