

# Certification of claims and returns - annual report

Kent County Council

Audit 2010/11



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# Introduction

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**Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.**

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements;
- for claims and returns between £125,000 and £500,000, limited tests to agree form entries to underlying records are undertaken; and
- 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 to place reliance on it. Depending on the outcome of that assessment, further testing is undertaken to underlying records and to test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

# Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

My work amended one of the five claims and returns the Council was required to submit for certification in 2010/11. However, on one of the claims, I did have to issue a qualification letter accompanying my certificate.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total number of claims and returns certified	5
Value of claims and returns certified	£201,047,784
Number of claims and returns amended due to errors	1
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	1
Total cost of certification work	£10,933

Table 2 gives a snapshot of the key finding for each claim or return audited during the year. Detailed findings and conclusions to support the summary information is set out for the relevant claims and returns below.

All five of the claims and returns presented by the Authority for certification were above the Audit Commission's testing threshold of £500,000.

Table 2: **Claims and returns above £500,000**

Claim or return	Value of claim or return presented for certification (£)	Was reliance placed on the control environment?	Value of any amendments made (£)	Was a qualification letter issued?
Teachers' pensions return (PEN05)	84,941,499	No	57,986	No
Sure start, early years and childcare grant and aiming high for disabled children grant (EYC02)	59,199,900	Yes	0	No
School centred initial teacher training (EDU06)	765,100	No	0	Yes
Local transport plan: major projects (TRA11) – East Kent Access Phase 2 scheme	44,008,147	No	0	No
Local transport plan: major projects (TRA11) – Sittingbourne Northern Relief Road scheme	7,133,138	No	0	No

### **Teachers' Pensions Return (PEN05)**

I did not place reliance on the control environment because:

- Previous audits identified errors in the compilation of the return and weaknesses in the evidence maintained to support the entries.

I consider the return to be complex as there is a large volume of transactions within the return.

I assessed the claim as being medium risk and carried out detailed testing in compliance with Certification Instruction PEN05. An amendment was made to the 2010/11 return. An officer at Capita identified contributions were made in October 2010 for a school that transferred to Academy status in the previous month. Academy schools should not be included within the return as the Council is not responsible for these teachers' salary or pension contributions. The officer correctly identified the error as part of the internal checks she completes and informed me of the need to amend the return before the certification deadline.

### **School Centred Initial Teacher Training - SCITT (EDU06)**

There is a strong control environment in place for this claim, and I had relied on the control environment in the previous two years. In accordance with the General Certification Instructions (CI A01) auditors are required to complete full testing of a claim or return every three years. Therefore, I was required to test the effectiveness of the control environment in 2010/11.

Audit testing identified that the entry in the Statement of Income and Expenditure and Note 3 to the SCITT in relation to staff costs did not agree. They were stated as £271,068 and £274,739 respectively. My review of the supporting evidence, and discussion with the provider responsible for compiling the claim, confirmed that the entry in Note 3 to the SCITT of £274,739 was the correct expenditure in the year. The incorrect entry in the Statement of Income and Expenditure is auto-populated so the Council was unable to amend before certification. As a result, the issue was reported to the grant paying body, the Training and Development Agency, in a qualification letter.

### **Local Transport Plan: Major Projects (TRA11)**

I did not place reliance on the control environment for either of the TRA11 schemes audited in 2010/11. The projects were in the second year of completion and the expenditure had significantly increased from the previous year for one of the schemes. The nature of capital works and projects is historically a risky area and assurance was required over the large value transactions. The control environment and officer responsible for compiling the

claim is the same for both schemes. I assessed both the schemes as being low risk for the detailed sample testing as the claims comprise a low volume of transactions.

My testing of the expenditure in the East Kent Access Phase 2 and Sittingbourne Northern Relief Road projects confirmed that the claims are fairly stated.

Recommendation
<b>R1</b> The Council should check the internal consistency and arithmetic of all claims and returns before submitting to audit.

# Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

The Council has implemented the recommendations made in the 2009/10 annual certification of claims and returns report.

Table 3: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
The officer responsible for certifying the claim should ensure that it is submitted to audit before the deadline set by the grant paying body.	High	1 April 2011	Keith Abbott and Richard Hallett	Implemented	The Council submitted all claims by the authority deadline set by the relevant grant paying body.
The Council should ensure that key contacts are available for all grant claims to provide supporting documentation and respond to auditor queries.	Medium	1 April 2011	Keith Abbott and Richard Hallett	Implemented	Key contacts were identified for all grant claims and this enabled auditor queries to be resolved in a timely manner in 2010/11.



# Summary of recommendations

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This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
The Council should check the internal consistency and arithmetic of all claims and returns before submitting to audit.	Medium	Officers responsible for certifying claims and returns will carry out internal consistency and arithmetic checks.	1 April 2012	All officers responsible for compiling and certifying claims and returns

# Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Teachers' pensions return	£7,268.00	£8,731.00	The Council improved its liaison with Capita and the schools who run their own payroll systems so supporting documentation required to complete audit testing was provided in a timely manner.
Sure start, early years and childcare grant and aiming high for disabled children grant	£521.50	£1,948.50	The audit could place reliance on the strong control environment so only Part A testing carried out in 2010/11 whereas full detailed testing completed in the previous year.
School centred initial teacher training	£1,418.00	£2,997.00	Officers responsible for liaising with the auditor were extremely helpful and provided supporting documentation in a timely manner which reduced the amount of work the auditor had to

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Local transport plan: major projects – East Kent Access Phase 2 scheme	£788.00	£1,255.00	complete directly themselves. This is the second year of audit so the level of risk for the claim was reduced from high to low. A smaller sample size was reviewed to gain the required assurance. The officer responsible for the claim had comprehensive supporting documents for all entries in the claim.
Local transport plan: major projects – Sittingbourne Northern Relief Road scheme	£788.00	£1,255.00	As above for the East Kent Access Phase 2 scheme.
Claims and returns reporting	£149.00	£149.00	
<b>Total</b>	<b>£10,932.50</b>	<b>£16,341.00</b>	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

