



Kent County Council

Certification work report 2011/12

February 2013

Contents

1	Executive Summary	1
2	Results of our certification work	3

Appendices

A	Approach and context to certification	5
B	Details of claims and returns certified for 2011-12	7
C	Action plan	8

1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £100 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 Your previous auditor, the Audit Commission, certified two of the claims prior to our appointment as the Council's auditors. These were the two local transport scheme claims. The findings set out in this report in relation to these claims represent the results of your previous auditors work. All other findings are made by Grant Thornton.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing adequately and there are no significant matters arising from our certification of claims and returns. One claim was amended and one was subject to a qualification letter in 2011/12.
Supporting working papers	Supporting working papers for the claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made one recommendation to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendation will assist the council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

February 2013

2 Results of our certification work

Key messages

- 2.1 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £100 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		4		5		
Number of claims submitted on time	100%	4	100	5	100	→
Number of claims certified on time	100%	4	100	5	100	→
Number of claims certified with amendment	0%	1	25	1	20	→
Number of claims certified with qualification	0%	1	25	1	20	→

- 2.3 This analysis of performance shows that:
- the Council has maintained its performance in submitting claims on time and providing supporting documentation to the audit team to enable certification by the grant paying body's deadline; and
 - although there was one claim amended and one qualified in both the 2010/11 and 2011/12 financial years these were different claims so is not a consistent pattern for one claim area.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.

- 2.6 We charged a total fee of £8,650 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £2,217 against an indicative budget of £20,000. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Certification of Teachers' Pensions Return

- 2.8 The Teachers' Pensions Return was qualified in 2011/12. The audit of the return is undertaken in accordance with Certification Instruction (CI) PEN05 which is agreed as the audit work programme by the Audit Commission with the grant paying body. The Council did not comply with the requirements of the CI. Paragraph 16 states: "for Part B of the form, where any part of the payroll administration has been outsourced, the authority should have in place adequate arrangements to satisfy itself that contributions have been correctly deducted and remitted to Teachers' Pension, on behalf of the LA, in accordance with the Regulations".
- 2.9 The Council did not perform any checks to confirm the accuracy of the entries in Part B of the return which is completed by Capita, an outsourced payroll provider. The Council has previously completed checks before the return is certified by the chief finance officer but these checks were not undertaken in 2011/12.
- 2.10 Audit testing of the entries in Part B did not identify any weaknesses in the contributions deducted and remitted to Teachers' Pension in 2011/12. The Council has agreed to complete the checks required before certifying the return in future.

Certification of School Centred Initial Teacher Training

- 2.11 The School Centred Initial Teacher Training claim form comprises of two elements: the Audit Grant Report and the Statement of Income and Expenditure. Audit testing identified that amendments were required to the expenditure reported on the Statement of Income and Expenditure.
- 2.12 Three amendments were made to the detailed expenditure analysis in the Statement of Income and Expenditure in 2011/12 before the claim was certified:
- an amount of £59,143 was paid directly to the schools by Kent CC so should have been disclosed as 'other expenditure' instead of 'GTP salary grant' as it is not an administration grant;
 - an amount of £2,580 relating to educational supplies was incorrectly included in 'other supplies and services' instead of the 'educational supplies and services' line; and
 - venue costs totalling £17,322 were omitted from the claim form submitted for audit. These were shown as 'educational supplies and services' in the revised claim form.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

South East England

Role	2011/12	2010/11
Engagement lead	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Schools centred initial teacher training (EDU06)	929,572	Yes	-17,322	No	1,418	2,985	Part A and B testing undertaken in 2011/12
Teachers' pensions return (PEN05)	68,187,989	No	0	Yes	7,268	5,527	Evidence requested by audit was supplied in a more timely manner in 2011/12
Local transport plan: major projects – East Kent access phase II scheme (TRA11)	26,000,000	No	0	No	788	885	
Local transport plan: major projects – Sittingbourne northern relief road scheme (TRA11)	5,426,729	No	0	No	788	885	
Reporting to those charged with Governance					149	585	Fee billed separately in 2011/12 whereas apportioned across claims in prior year
Total	100,544,290		-17,322		10,411	10,867	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Teachers' pensions return (PEN05)	The authority should have adequate arrangements in place to satisfy itself that contributions have been correctly deducted and remitted to Teachers' Pension in accordance with the regulations.	High	Management has agreed an action plan with the TPA and will implement the three actions by May 2013. This will ensure the same issue does not arise in 2013.

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