

Certification of claims and returns - annual report

Lancashire 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 manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants. This report summarises the findings from the certification of 2009/10 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

1 Lancashire County Council receives more than £45 million funding from various grant paying departments which is subject to external audit certification. The grant paying departments attach conditions to these grants. The Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. The Council is also responsible for collecting teachers' pension's contributions of over £75 million which are paid over to the teachers' pension scheme and an audited return is required. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.

2 In 2009/10, my audit team certified four claims/returns with a total value of over £120 million. Of these, we carried out a limited review of one claim and a full review of three claims. (Paragraph 7 explains the difference.) We amended two claims for errors. The errors were formatting errors and the corrections did not impact on the total grant funding available to the Council. For one claim, we were unable to fully certify the claim and issued a qualification letter to the grant-paying body. This was because of differences between the certification instructions to auditors agreed by the grant paying body and the guidance provided by that body to Lancashire County Council.

Significant findings

3 Last year amendments were made to two single programme claims which did not impact on the amount payable to Lancashire but related to compilation errors in the completion of the forms. Similar issues occurred again in 2009/10 resulting in the amendments noted above.

4 The most significant issues raised last year were about the poor control environment and management and administration of the Sure Start, early years and childcare grant. This resulted in the audit taking much longer than is usual. I also had to issue a qualification letter because of the lack of evidence to support specific items. For 2009/10 several improvements have been made including much tighter monitoring of expenditure claimed by Sure Start centres. The return was properly supported by working papers and we did not meet any difficulties in gaining evidence to support individual items of expenditure claimed.

Certification fees

5 The fees I charged for grants certification work in 2009/10 were £24,515.50 (plus VAT). This compares favourably with last years' fee of £32,458.50 and reflects the improvements I have noted in the management and administration of the Sure Start, early years and childcare grant.

Background

6 The Council completes claims and returns to government departments with a total value of over £120 million. As this is significant to the Council's income it is important that this process is properly managed. In particular this means:

- an adequate control environment over each claim and return; and
- ensuring that the Council can evidence that it has met the conditions attached to each claim and return.

7 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 Lancashire 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.

8 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

9 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 form entries 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 from entries 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 of 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 that the audit fees for certification work are reduced if the control environment is strong.
- For claims spanning over 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.

Findings

Control environment

10 The adequacy of the control environment for individual claims is variable. The teacher's pension's return is an example of where reliance can be placed upon the control environment. Working papers are of a high standard; the key contact has good knowledge about the claim and undertakes various checks to ensure only eligible amounts are included on the return.

11 We were unable to rely on the control environment for the other three claims and we completed more detailed testing as a result. Improvements have been made to the monitoring and management of expenditure claimed for the Sure Start, early years and childcare grant during 2009/10 but most of this work was towards the end of 2009/10. We were therefore unable to rely on the improved control environment for this return for our audit of 2009/10. Errors on the face of the two single programme claims claim forms indicated the control environment could not be relied upon.

Specific claims

12 The four claims subject to certification in 2009/10 were:

- Teachers Pension Return;
- Single Programme Remade in Lancashire;
- Single Programme M6 Junction 31 Improvements; and
- Sure Start, early years and childcare grant.

13 We gave an unqualified report for the teachers pension return, which was the largest return certified in 2009/10 with a value of £75 million. We found working papers to support the figures in the claim/return were of an excellent standard, timely responses were received from key officers and no issues were identified.

14 For the single programme claims both were amended to correct mistakes in the completion of the claim form where figures had been omitted from the form or incorrectly entered. These amendments did not impact on the grant funding provided.

15 Audit of the Sure Start, early years and childcare grant claim was easier this year because of improved supporting working papers and evidence. The claim did not require amendment and the relevant audit fee was much lower as a result. The claim was certified with a qualification letter.

16 The letter was issued because of unclear guidance about the eligibility of expenditure for Sure Start funding. The issue related to £62,850 claimed by Sure Start Hyndburn Limited used to support two nurseries managed by the company. Guidance to auditors suggested that this grant is only available to support Sure Start centres. However emails to the County Council from the Department for Children, Schools and Families (DCSF), suggested the grant could be used for wider child care provision, as long as there were plans in place to make the nurseries sustainable over time. (This issue was originally identified by Internal Audit and reported to members of the Council's Audit Committee in March 2010).

17 I understand there is no present intention by SSH to use children's centre revenue grant to meet the costs of day care provision from 1 April 2011 onwards. I issued the qualification letter to bring this matter to the attention of DCSF. I did not seek an amendment to the claim since, based on the advice the Council had received, there is no issue of ineligible expenditure.

Appendix 1 Summary of 2009/10 certified claims

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

Claim	Value £	Adequate control environment	Amended	Qualification letter
Teachers Pension	75,117,439	Yes	No	No
Sure Start, early years and childcare grant	41,888,103	No	No	Yes
Single Programme – Remade in Lancashire	2,877,402	No	Yes	No
Single Programme – M6 J31 Improvements	419,426	No	Yes	No

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