



## **Lancashire County Council**

Certification work report 2011/12

February 2013

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# 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 Up until October 2012, the Audit Commission's audit practice were the Council's external auditors. Together we have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £71.8 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 With the exception of one claim, the School Centred Initial Teacher Training (SCITT) return, audited subsequent to our appointment, all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors.
- 1.7 A summary of all claims and returns subject to certification and details of the 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	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	<p>The teachers' pension return was subject to a qualification letter, relating to a one off issue. A school had paid contributions directly to the Teachers' Pensions Agency for two months following moving to an external payroll provider prior to taking up academy status. The contributions had been incorrectly omitted from the Council's return.</p> <p>Two single programme claims were amended to correct compilation errors. In one case this did not have any impact on the amount of grant funding due to the Council and in the other it reduced the amount by £2,825.</p>
Supporting working papers	Working papers supporting claims and returns were good, which enabled certification within the deadlines.

### The way forward

- 1.8 Claim amendments and one qualification letter picked up one off issues; accordingly there are no recommendations that we wish to raise.

### Acknowledgements

- 1.10 We would like to take this opportunity to thank 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 Your external auditors have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £71.8 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.	%	
<b>Total claims/returns</b>		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%	2	50	3	75	↑
Number of claims certified with qualification	0%	1	25	0	0	↓

- 2.3 The number of claims submitted to audit in the last two years is small and amendments and one qualification reflected one off issues. In this context there are no systemic issues that we wish to highlight.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 A total fee of £6,651 has been charged for the certification of claims and returns in 2011-12. This compares to £10,540 charged in 2010-11. Details of fees charged for specific claims and returns are included at Appendix B.

## 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.

<b>Role</b>	<b>2011/12</b>	<b>2010/11</b>
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

## 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
Teachers' pension return	69,627,000	No	None	Yes	1,937	1,558	A qualification letter was issued relating to a one-off issue. A school had paid contributions directly to the Teachers' Pensions Agency for two months following moving to an external payroll provider prior to taking up academy status. The contributions had been incorrectly omitted from the Council's return.
Single programme (2 returns)	511,000	Yes	(2,825)	No	3,794	2,763	Less audit work was required due to this being the last year of both schemes and improved working papers provided. Both claims were amended to correct compilation errors. In one case this did not have any impact on the amount of grant funding due to the Council and in the other it reduced the amount by £2,825.



Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
School centred initial teacher training	1,648,000	No	None	No	4,809	2,330	Working papers supporting the 2011/12 academic year return were of an excellent standard and there were no matters arising from audit. (The previous years' fee was significantly higher due to 2010-11 being the first year we were required to certify the claim and therefore additional testing being required during 2010-11).
<b>Total</b>	<b>71,786,000</b>		<b>(2,825)</b>		<b>10,540</b>	<b>6,651</b>	

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