

Certification of claims and returns - annual report

Oxfordshire County Council

Audit 2010/11



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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies, and must complete returns for it to government departments. My certification work gives these grant-paying bodies assurance that claims are made properly or that information in financial returns is reliable. This report summarises my 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 to its auditors set out the work they must do before giving that certificate. The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but broadly:

- below £125,000 the Commission does not make certification arrangements and I do not need to audit the claim or return;
- between £125,000 and £500,000, I undertake limited tests to agree form entries to underlying records, but do not test that the expenditure is eligible; and
- over £500,000 I plan and perform my work in accordance with the certification instruction. I assess the control environment for preparing the claim or return to decide whether I can rely on it. Depending on the outcome, I undertake testing as appropriate to agree form entries to underlying records and 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.

Summary of my 2010/11 certification work

Significant improvements were seen in the compilation of the sure start claim and the teachers' pension claim remained strong. However, I encountered problems with the employment based initial teacher training (EBITT) claim for a second year.

In 2010/11, I checked and certified three claims and returns. The quality of compilation varied between the claims. Arrangements for completion of the Teachers Pension claim remained strong and significant improvements have been made in arrangements for the completion of the Sure Start claim. You have carried out many of my recommendations and have improved your general arrangements. However, I could not fully certify the employment based initial teacher training (EBITT) claim and issued a qualification letter. In addition, I found errors on the claim. A number of recommendations have been made to support you in improving the compilation of this claim.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value certified	£67,688,774
Number of claims and returns certified	3
Number of amended due to errors	1
Number where I issued a qualification letter	1
Total cost of certification work	£17,825

Results of 2010/11 certification work

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

All claims reviewed were above the £500,000 threshold. I assessed the teachers pension claim as low risk and were able to carry out a limited review. Due to issues found last year I was required to complete more extensive testing on the sure start and EBITT claims.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Teachers' pensions return	£37,265,431	Y	£nil	N
Sure start, early years and childcare grant and aiming high for disabled children grant	£29,131,528	Y	£nil	N
Employment-based initial teacher training	£1,291,815	Y	£12,051	Y

Teachers' superannuation return

The Department of Work and Pensions requires me to certify the return for the teachers' pension scheme, which works separately from the Local Government Pension Scheme. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the government.

The Council has good processes in place for completing this complex return. A minor adjustment was made to the claim in 2009/10, but no errors were found in 2010/11. The working paper file was provided at the start of the audit, and was found to be comprehensive and well presented. The payroll manager was extremely helpful, providing comprehensive and timely explanations to our queries.

Sure start, early years and childcare grant and aiming high for disabled children grant

The Council runs and funds facilities under the SureStart scheme as part of providing pre-school education, support and development, with specific funding to support young children with disabilities. The Department for Education requires me to check this claim and certify that spending meets government criteria. The sure start claim is complex and cuts across different departments. Despite this, I found the quality of working papers was of an excellent standard and officers responded well to our queries.

Two significant issues were identified in 2009/10:

- The Council did not have sufficient processes in place to promptly monitor expenditure of grant funding passed to third parties and
- The Council did not maintain an asset register of all assets wholly or partly funded from grant money and was therefore unable to provide assurance that no grant funded assets have been disposed of or transferred to a non-grant funded service.

It was clear that staff had worked hard to resolve these issues and I was able to certify the claim without amendment or qualification. All staff members who assisted with the audit were extremely helpful in providing additional information.

Employment-based initial teacher training

The Council arranges placements in schools for graduates and provides the necessary training for them to achieve qualified teacher status. This training is funded from employment-based initial teacher training grant (EBITT) from the Training and Development Agency for Schools (TDA).

Although I noted some improvements against the recommendations made last year, I encountered significant problems with this claim for a second year. This led to a number of delays and additional audit time. The audit began on 7th November, but was not concluded until 19th December. The following problems were encountered:

- The claim was presented for audit with minor arithmetic errors on it.

- Working papers were not presented with the claim. As a result some delays in the provision of key working papers occurred and required specific audit input to set out what was required.
- Queries took longer to resolve than expected in some cases because insufficient evidence was initially provided.
- Guidance had not been followed in all cases. For example, the basis of completion was changed in 2010/11 from cash to accruals. The Council made some amendments for accruals but the claim was not amended for all transactions raised in 2010/11 relating to the previous academic year. Following identification of the error by audit, the Council partially adjusted the claim but failed to identify a number of other prior year transactions that were subsequently picked up by audit on further review.
- The TDA made an error on its website regarding data for a teacher. The Council subsequently relied on this data. The Council's records with regard to this teacher were correct and the error should have been identified and a query raised with the TDA before submission of the claim.
- A number of errors were made when amendments resulting from the audit were made to the claim. This led to a number of drafts being produced.

It should be noted that guidance from the grant paying body (TDA) arrived late and did not appear to fully align with the auditor's certification instruction. For example, there was a requirement in the auditor's instructions for councils to inform the TDA of significant additional "other expenditure". Officers report that this was not included within the preparation guidance.

There were a number of amendments required to the claim and the income and expenditure account:

- There was a £2,600 error between training grant and salary grant on the claim;
- £12,050 had been over claimed as a full year's grant was included for a student who only attended for part of the year;
- On the income and expenditure account, £7,970 of fully depreciated assets were initially charged as "loss on disposal of fixed assets" to the 2010/11 period although they had not been disposed of;
- £93,592 expenditure which related to 2009/10 had been incorrectly included in the income & expenditure account; and
- Audit fees of £10,480 were not included in the income and expenditure account, as required by the grant instructions.

The claim was qualified on two counts:

- The income and expenditure account 'educational supplies and services' included £102,370 of grant payments to schools allocated per trainee rather than actual expenditure by the schools on supplies and services; and

- The income and expenditure account 'other expenditure' included £61,000 of extra funding the Council provided to schools. The Council paid this to schools at £1,000 per trainee. This figure matched the reduction in grant payments from TDA compared to previous years. The partnership used part of its brought forward surplus to fund these payments. The partnership did not obtain prior approval from the grant paying body (TDA) for these additional payments.

Summary of progress against previous recommendations

This section considers your progress completing previous recommendations.

Generally good progress has been made on implementing my previous recommendations. However progress has been weaker on the EBITT claim.

Table 3: Summary of progress on recommendations from earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Implemented
Develop a standard grant claim checklist to ensure that: <ul style="list-style-type: none"> ■ all requirements of the grant claim terms and conditions are met before submission to the grant paying body/auditor ■ the grant claim is fully and correctly completed and the claim is supported by full working papers 	Medium	10.01.2011	Strategic Finance Manager (Financial Accounting & Reporting)	Yes
Implement an independent review of all claims and working papers before certification and sending for audit.	Medium	10.01.2011	Finance Business Partners	Yes

Agreed action	Priority	Date for implementation	Responsible officer	Implemented
Ensure there are controls in place to prevent and detect duplications within grant claims.	Low	10.01.2011	Finance Business Partners	Yes
Implement plans to obtain sufficient assurance that all expenditure on the Sure Start claim passed to third parties has been spent on eligible purposes before the period end.	High		Sure Start team	Yes
Maintain an asset register specifically listing all assets wholly or partly funded from Sure Start grant money in line with the grant terms.	Medium		Sure Start team	Yes
Inform the grant paying body of any sure start funded assets that have been disposed of or transferred to a different use.	Low		Sure Start team	Full review of asset register took place but found no disposals or transfers to report
Ensure that all figures on the Teachers' Pension return agree to supporting working papers and amounts are therefore correctly classified between employers and teachers contributions paid.	Low	06.01.2001	Payroll Manager	Yes
Sign the EBITT return prior to submission to the auditors	Low	07.01.2011	Partnership Manager	Yes
Review EBITT claim terms and conditions to ensure that all information required is provided	High	07.01.2011	Partnership Manager	Partially
Retain an audit trail of the EBITT return to the general ledger	High	07.01.2011	Partnership Manager	Yes

Agreed action	Priority	Date for implementation	Responsible officer	Implemented
Implement procedures to ensure that only eligible expenditure is included in EBITT claims and returns.	High	07.01.2011	Partnership Manager	Partially
Ensure that all EBITT expenditure items can be agreed back to supporting documentation and evidence to show they are eligible.	Medium	07.01.2011	Partnership Manager	Partially

Summary of recommendations

This section highlights the recommendations from my work in 2010/11 and the actions agreed.

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

Recommendation	Priority	Agreed action/Comments	Date for implementation	Responsible officer
Review the EBITT claim prior to submission for audit to ensure figures agree to supporting working papers and arithmetic is correct	medium	The Partnership accepts all of the points. These are sensible suggestions which will help improve processes in the future. We appreciate the need to seek greater clarity from the auditors on the level of evidence required and will seek clarification from the TDA to the points raised so that we are clearer about expectations for next year's audits.	2011/12 claim	Partnership Manager
Ensure that all supporting income and expenditure listings are provided with the EBITT claim	high	as above	2011/12 claim	Partnership Manager
Focus on providing accurate and relevant responses to audit queries. If in doubt, seek clarification from the auditors/grant claim coordinator on the level of evidence required.	high	as above	2011/12 claim	Partnership Manager

Recommendation	Priority	Agreed action/Comments	Date for implementation	Responsible officer
Review EBITT claim terms and conditions to ensure that the claim has been completed in full accordance with the guidance. Seek written clarification from the grant paying body (TDA) in areas of doubt.	high	as above	2011/12 claim	Partnership Manager
Seek prior written approval for any EBITT expenditure that falls outside the TDA's definition of eligible expenditure	high	Written clarification from TDA was sought retrospectively with regard to issues this year – but this was not forthcoming with regard to one important matter - the need to seek permission from the TDA for expenditure that falls outside the description of eligible expenditure.	2011/12 claim	Partnership Manager
Seek clarification from the TDA on whether it is sufficient to include EBITT grant monies paid over to schools rather than money spent by the schools on eligible goods and services.	high	The Partnership accepts all of the points. These are sensible suggestions which will help improve processes in the future. We appreciate the need to seek greater clarity from the auditors on the level of evidence required and will seek clarification from the TDA to the points raised so that we are clearer about expectations for next year's audits.	2011/12 claim	Partnership Manager
Ensure that any amendments arising from the audit of the EBITT claim are correctly calculated and understood	high	as above	2011/12 claim	Partnership Manager

Recommendation	Priority	Agreed action/Comments	Date for implementation	Responsible officer
before presentation to audit.				
Ensure that TDA data agrees with that held by the partnership before seeking to rely on it when completing the EBITT claim. Seek explanations for any differences from the TDA prior to submission of the claim.	high	as above	2011/12 claim	Partnership Manager

Summary of certification fees

This section summarises the fees for my 2010/11 certification work

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	1,730	3,028	Positive findings in 2009/10 allowed for a more limited review. In addition working papers were strong and responses to audit queries were good.
Sure start, early years and childcare grant and aiming high for disabled children grant	3,862	2,638	Audit work focused on risk areas identified in 2009/10 to ensure issues had been addressed. Improved outcomes in 2010/11 will allow a more limited review next year if audit is required.
Employment based initial teacher training	10,480	8,356	Only partial implementation of prior years recommendations plus additional issues and errors in 2010/11.
Total	16,072	14,022	as above – note also grant management of £1,753

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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.

