



## **Surrey 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 We have certified three claims and returns for the financial year 2011/12 relating to expenditure of £62 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 It should be noted that work on the Local Transport Plan: Major Projects (Walton Bridge) return reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report in respect of this return therefore represent the results of your previous auditors' work.
- 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	Two claims were submitted on time to audit. Submission of the Initial Teacher Training Return was delayed because of late changes by the Department for Education to the submission requirements. All three claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	The Council continues to improve its arrangements in this area. It has satisfactorily addressed the recommendations raised in the 2010/11 Certification Work Report and has action plans in place to address the issues that led to the qualification of the Teachers' Pensions Return this year.
Supporting working papers	All three claims were supported by working papers and staff responded promptly to queries raised, which enabled certification within the deadlines.

#### The way forward

- 1.8 We have made one recommendation to address the key messages above (see Appendix C).

#### 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 We have certified three claims and returns for the financial year 2011/12 relating to expenditure of £62 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>		3		4		
Number of claims submitted on time	100%	2	66	4	100	↓
Number of claims certified on time	100%	3	100	3	75	↑
Number of claims certified with amendment	0%	0	0	1	25	↑
Number of claims certified with qualification	0%	1	33	1	25	→

- 2.3 This analysis of performance shows that overall the Council's performance is improving. In respect of the Teachers' Pensions Return it has now put in place satisfactory arrangements to obtain pension data from external payroll providers.
- 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 £8,810 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £820 against an indicative budget of £11,858. 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 certification of individual grant claims and returns:

#### **Certification of Teachers' Pensions Return**

- 2.8 Following an internal audit review in June 2012, the Council identified that teachers in a number of Surrey maintained schools had received payments classified as honoraria. These payments had been coded as tax and national insurance deductible payments, but had not been treated as pensionable.
- 2.9 In 2011/12 honoraria payments totalling £126,380 were made to teachers in 45 schools. The Council estimates that for the period from 2007/08 to 2011/12 the total value of such payments is £1,001,187.
- 2.10 The Council remains in discussion with the Teachers' Pensions Agency as to how the underpaid employer and employee contributions should be remitted. The 2011/12 return was not amended to take account of any proposed adjustments, pending advice from the Agency. We were therefore unable to conclude that the return was fairly stated as a whole.

## 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.

#### Standard

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

#### South East England

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

#### London rates

Role	2011/12	2010/11
Engagement lead	£380	£380
Manager	£210	£210
Senior auditor	£135	£135
Other staff	£105	£105



## 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
Sure Start, Early Years and Childcare Grant and Aiming High for Disabled Children Grant	-	-	-	-	872	-	There was no requirement to certify this return in 2011/12
Local Transport Plan (Walton Bridge)	6,293,148	No	-	No	1,278	820	

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Teachers' Pensions Return	55,294,545	No	-	Yes	3,309	6,347	Grant Thornton's approach to grant certification is to place less reliance on the work of the internal auditors than the Audit Commission did. Where the internal auditors had already obtained supporting documentation we made use of this in the testing that we undertook. In addition, as the Council had been able to obtain pension information from external payroll providers, we were able to carry out additional testing on this section of the return and address the issue which had led to qualifications in 2009/10 and 2010/11.
Initial Teacher Training	563,728	No	-	No	1,043	1,743	We did not request internal audit to carry out any certification work on this return, and completed all the testing ourselves.
Reporting to those charged with Governance					1,490	720	This is for preparing this report for the Audit and Governance Committee.
<b>Total</b>	<b>62,151,421</b>		-		<b>7,992</b>	<b>9,630</b>	

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Teachers' Pensions Return	Agree with the Teachers' Pensions Agency how the underpaid employer and employee contributions in respect of honoraria payments should be remitted and recorded on the return.	H	Officers are now in dialogue with the Teachers' Pensions Agency and are working with them to resolve the issues identified.

## D Summary of progress on previous recommendations

Agreed action	Priority (L/M/H)	Date for implementation	Responsible Officer	Current status
Reinstate a central control record for grants and returns to ensure more timely certification.	H	February 2012	Financial Reporting Team Senior Principal Accountant	Implemented
Put in place adequate arrangements to ensure that contributions made from outsourced payroll providers have been correctly deducted and remitted to Teachers' Pensions, on behalf of the Council, in accordance with the regulations.	H	February 2012	Financial Reporting Team Senior Principal Accountant	Implemented

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