

Certification of claims and returns - annual report

Lincolnshire County Council

Audit 2010/11

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Summary

Funding from government grant-paying departments is an important income stream for the Council. Although the number of claims subject to audit has reduced in recent years, the Council needs to manage claiming this income carefully and meet the conditions which attach to these grants. This report summarises the findings from the certification of 2010/11 claims.

Certification of claims

1 Lincolnshire County Council receives significant funding from various grant paying departments. 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. 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 Not all returns relate to the receipt of grant but rather the payment over of collected monies to government such as the Annual Teacher's Superannuation Return.

3 In 2010/11, the external audit team certified 3 claims or returns (TRA11 Spalding to Eye [A1073] final claim, Sure Start Annual Financial Statement and Annual Teachers Superannuation Return) with a total value of £67 million. In 2009/10 there were 5 claims or returns with a total value of £101 million.

4 The TRA11 claim was the final claim for this scheme and although the value was relatively small (just under £3m) because the overall value of the scheme was large we carried out a full audit review. Both the Surestart and Teachers Superannuation returns were assessed as low risk and we therefore carried out a limited review of both.

Significant findings

5 I am pleased to report that no claims or returns were subject to amendment and all were certified by the deadline. Appendix 1 sets out a full summary.

Certification fees

6 The fees charged for grant certification work in 2010/11 were £5,217 which is £10,783 less than the estimated fee of £16,000 set out in our 2010/11 audit fees letter dated 27 April 2010.

7 This reduction is due to the increased reliance we were able to place on the control environment this year covering the Surestart and Teachers Superannuation returns.

Background

8 Grant income is significant to the Council and 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.

9 Section 28 of the Audit Commission Act 1998 requires the external auditor to certify some claims and returns for grants or subsidies paid by government departments and public bodies to Lincolnshire County Council. A fee is charged to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.

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

11 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 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 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

12 We were able to rely largely on the control environment for all claims and returns certified in 2010/11.

13 In previous years we have carried out more testing on the eligibility of expenditure or data but this year we judged this was only necessary for the final TRA11 claim. This reflects the improved arrangements in place covering the preparation of the Teachers Superannuation Return in particular, which has in the past been subject to amendments and qualification letters.

Specific claims

TRA 11 Spalding to Eye (A1073)

14 This was the final claim for this scheme and although the value was relatively small at £2,938,443, because the overall value of the scheme was large (total expenditure of over £75m) we carried out a full audit review.

15 The final claim was provided well before the auditor deadline and we were able to complete the work before the end of the 2010/11 financial year, as requested by officers. The claim was received on 9 February 2011 and certified on 23 March 2011.

Teachers' Superannuation Return

16 The annual teachers' superannuation return covers the payment of collected monies to government. The return was provided to us by the auditor deadline (30 June 2011) and we were able to plan and complete our work before the deadline of 29 November 2011.

Sure Start Annual Financial Statement

17 This claim was also provided to us by the auditor deadline (31 July 2011) and we were able to plan and complete our work before the deadline of 28 October 2011.

18 This was the last year of Sure Start grant.

Appendix 1 Summary of 2010/11 certified claims

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

Claim	Value £	Adequate control environment	Amended	Qualification letter
TRA11 Spalding to Eye (A1073)	2,938,443	Yes	No	No
Sure Start Annual Financial Statement	25,051,125	Yes	No	No
Annual Teachers Superannuation Return	39,036,232	Yes	No	No

Source: Audit Commission grant claims and returns control record