

CORPORATE GOVERNANCE COMMITTEE

10 FEBRUARY 2014

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EXTERNAL AUDIT - ANNUAL GRANTS CERTIFICATION 2012/13

Purpose of Report

1. To report the results of external audit grant certification work for 2012/13.

Background

2. The Audit Commission requires the County Council's appointed external auditor PricewaterhouseCoopers LLP (PwC) to report annually on the results of grant certification work to those charged with governance, in order to summarise issues, amendments and qualifications arising from their certification work on grant claims and returns.

Grant Certification Report

3. A copy of the external auditor's report is attached as Appendix 1. Representatives from PwC will attend the meeting in order to present their report and answer any questions.

Issues Raised

4. Two grants required external audit certification during 2012/13; the Teachers Pension (TP) return and the Local Transport Plan (LTP): major projects. The TP return was amended and qualified – see below. A minor amendment to the text on the LTP claim was made and this was not qualified.

Teachers Pension Return

5. The TP return is an annual summary showing teachers' pension contributions deducted and remitted by the County Council and its other payroll providers each year, for all scheme members employed by the County Council. The teachers pension scheme is administered by Teachers Pension on behalf of the Department for Education (DfE).
6. The issues raised in the auditors report relate to payrolls provided by the County Council and payrolls provided by other providers. The main issues are:

Authority Payrolls

7. The Government introduced significant changes to the teachers' pension scheme from 1 April 2012 with the introduction of tiered rates of contributions compared with a flat rate in previous years. These changes have been complex and challenging and examples of the former rates being used in some cases have been identified. These mainly relate to back dated changes, refunded amounts and part time employees in receipt of pension allowances.
8. The return requires additional contributions and additional payments to be separately reported. The payroll system does not currently hold this additional data separately and the figures are therefore identified from manual listings. However, from a sample reviewed, an error in the classification was found. Overall this would not affect the contributions due.
9. The return also requires prior year and current year refunds to be reported. This is currently a manual process. During the audit a number of errors were identified with the accuracy and completeness of the listing. Overall, this would not affect the contributions due.

Outside Payroll Providers

10. A number of errors were identified with the calculation of deductions undertaken by outside payroll providers. This has been a continuing problem for a number of years despite efforts by the Employee Service Centre (ESC) and the Internal Audit Service to point out common mistakes and remind the providers of their responsibilities. There will be only one school in this category from 1st April 2014.

General

11. The deadline for submission of the TP return to the external auditor is 30 June 2013 and the return was submitted on 6 November 2013. As a result of the delay and additional testing the final fee for the TP certification work is estimated to be £11,887 compared with the indicative fee of £6,300.

Management Action Plan

12. The improvements suggested by PwC (on page 9 of their report) are being addressed by the Employee Service Centre (ESC). A review of systems and processes is also being undertaken to ensure that the correct banding rates are being used. Consideration is being given to changes to the payroll system to improve reports and an appropriate plan has been put in place to ensure that, in future, the TP is submitted on time.

Recommendation

13. The Committee is asked to consider any issues raised by the external auditor in their report and note the management actions being taken.

Resource Implications

None.

Equal Opportunities Implications

None.

Circulation Under Local Issues Alert Procedure

None.

Background Papers

None.

Officers to Contact

Chris Tambini, Assistant Director – Strategic Finance, Property and Procurement

Tel: 0116 305 6199 E-mail: chris.tambini@leics.gov.uk

Judith Spence, Head of Corporate Finance

Tel: 0116 305 5998 E-mail: judith.spence@leics.gov.uk

Appendices

Appendix 1 – LCC Annual Certification Report 2012/13