



*Annual Certification Report*  
*2012/13*  
Leicestershire County Council

January 2014



The Members of the Corporate Governance Committee  
Leicestershire County Council  
County Hall  
Glenfield  
Leicester  
LE3 8RA

January 2014

Our Reference: LCC/Cert/1213

Ladies and Gentlemen

**Annual Certification Report (2012/13)**

This report summarises the results and fees for certification work for 2012/13.

**Results of Certification work**

For the period ended 31 March 2013, we certified one claim and one return worth a final net total of £29,727,561. Both were amended following certification work, and one required a qualification letter.

The most significant issue was the difficulty experienced in implementing pension scheme changes from 1 April 2012 in the payroll system; this resulted in Authority delays in the completion and production of the return form and deliverables, and we concluded that there was uncertainty over the entries within the return and contributions deducted.

We ask the Members of the Corporate Governance Committee to consider:

- the adequacy of the proposed management action plan for 2012/13 set out in Appendix B, and;
- the adequacy of progress made in implementing the prior year action plan in Appendix C.

Yours faithfully,

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers LLP'.

PricewaterhouseCoopers LLP

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# *Introduction*

## *Scope of work*

Grant-paying bodies pay billions of pounds in subsidies and grants each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions; where this is not the case matters are raised in a ‘qualification letter’.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we, as local government appointed auditors, must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies. Our role is to act as ‘agents’ of the Audit Commission when undertaking certification work.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including our conclusions on the financial statements and on value for money.

## *Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns*

In November 2010 the Audit Commission updated the ‘Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns’. This is available from the Audit Commission’s website. The purpose of this Statement is to summarise the Audit Commission’s framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission’s appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

## *Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies*

In March 2010 the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.



# Results of Certification Work

## Claims and returns certified

A summary of the claims and returns certified during the year is set out below. In one case a qualification letter was required to set out matters arising from the certification of the return. Both the claim and return were amended following the certification work undertaken. The auditor deadlines for submission of the certified claims and returns to grant paying bodies were met.

Fee information for the claims and returns is summarised in Appendix A.

### 2012/13 Claims and returns certified

CI Reference	Scheme Title	Form	Original Value (£)	Final Value <sup>1</sup> (£)	Amendm ent	Qualifica tion
PENo5	Teachers' Pension Return	EOYCd	25,120,609	25,119,561	Yes	Yes
TRA11	Local Transport Plan: Major Projects - Loughborough Town Centre Transport Scheme	S31 AUD Form 12-13	4,608,000	4,608,000	Yes	No

<sup>1</sup> Some amendments have no impact on the overall value of the claim.

## *Matters arising*

The most important matters we identified through our certification work are summarised below. Further detail and the risks of not addressing the issues raised with our recommendations for improvement can be found in Appendix B

### *Teachers' Pension Return*

The Teachers' Pension Return (EOYCd) is an annual summary showing teachers' pension contributions deducted and remitted by Leicestershire County Council and its other payroll providers in the year, for all scheme members employed by the Authority.

The Teachers Pensions Scheme is a contributory pension scheme administered by Teachers Pensions ("TP") on behalf of the Department for Education (DfE).

There were significant changes to the scheme introduced from 1 April 2012 with the introduction of tiers ranging from 6.4% to 8.8% according to full time equivalent salary (FTE). Until March 2012 teacher contributions were at the flat rate 6.4% of contributory salary. The Return format was updated to require the consolidation of Authority Payroll records with Other Payroll Providers plus inclusion of new information for teacher contributions broken down by tier.

We raised a number of non-compliance issues with some of the scheme conditions relating to both the Authority payroll and matters identified by Internal Audit in respect of Other Payroll Providers in the qualification letter dated 29 November 2013.

In particular the Authority experienced difficulties with the introduction of tiered contribution rates and some doubt exists over the correct position of deductions and contributions paid at the end of the year from its own payroll reporting system.

For 'Other Payroll Providers', the scheme requires the Authority to have adequate arrangements to be satisfied that pension contributions have been correctly deducted and remitted to the Teachers Pensions Agency, on behalf of the Authority, in accordance with the Regulations. We work with Internal Audit in this area because they are able to access Teacher's Pensions contributions administered through Other Payroll Providers. We have reviewed the procedures performed by Internal Audit and placed reliance on the findings following sample re-performance.

We would extend our thanks to the Internal Audit function in their continued delivery and communication of this work.

### *Prior year recommendations*

We have reviewed progress made in implementing the certification action plan for 2011/12. Details can be found in Appendix C.



# Appendix A

## Certification Fees

The fees for certification of each claim/return are set out below:

Claim/Return	2012/13 Indicative Fee *	2012/13 Variation**	2012/13 Final Fee**	2011/12 Billed Fee	Comment
	(£)	(£)	(£)	(£)	
PEN05 Teacher's Pension Return	6,300	5,587	11,887	9,366	Indicative scale fee baseline was the 2010/11 fee with a 40% reduction. Since this period there has been an increase in the levels of work required and significant delays with additional auditor chases and meetings due to Authority difficulties; this is reflected with the variation to original scale fee.
TRA11 Local Transport Plan: major projects	0.00	2,789	2,789	n/a	Indicative scale fee was based on work performed in 2010/11 when a TRA11 scheme did not require certification. The Loughborough Town Centre Transport Scheme was a new project in 2011/12 and became subject to auditor certification.
<b>Total</b>	<b>6,300</b>	<b>8,376</b>	<b>14,676</b>	<b>9,366</b>	

\*It should be noted that the Audit Commission updated the fee approach for certification in 2012/13. This applied a 40% discount to the 2010/11 billed fee. Indicative fees may subsequently have been updated for Audit Commission approved variations; for example where there was a change in the level of work required.

\*\* Fee variations which are pending Audit Commission approval.

The Council could improve its performance by:-

- **Timely submission** - significant delays were incurred in the preparation and submission of the Teacher's Pension Return. We received the completed return on 6 November 2013; the Authority deadline for submission to auditors set by Teachers Pensions was 30 June 2013; this resulted in reschedules and delays in the commencement of fieldwork. We would recommend that the Authority has a timetable in place to ensure timely submission to avoid a pressurised certification process for both parties; the Authority deadline is set to provide adequate time for auditors to be able to undertake work prior to the Auditor deadline of 29 November.
- **Review:** improving the accuracy and completeness of claims/returns submitted for certification by requiring independent senior officer review prior to submission to the grant paying body and auditors. Original final claims and returns should be certified as correct at the time of submission.

- **Quality of deliverables:** There were instances during the course of certification where working papers were difficult to understand, were unprepared or had to be reworked. We recommend that the Authority takes steps to ensure that the responsible officers are familiar with the compilation requirements set out in the certification instructions and consults the relevant guidance ahead of the return preparation. Supporting documents to claims and returns should be produced as part of claim and return preparation; and reviewed for accuracy as part of the Authority's certificate sign off procedures prior to submission to the grant paying body and PwC.
- **Access:** improvements to staff availability during the certification process and ensuring deliverables are available in line with agreed timescales.
- **Information:** ensuring that information requested by the auditor is sourced and presented to the auditor on a timely basis following request and adequately supports the claim / return. We experienced some significant delay with some areas of enquiry and these areas were escalated to senior officers.
- **Mitigate:** ensuring the prior year qualification issues are reviewed and controls assessed to mitigate against similar errors occurring in future periods. There were a number of issues included in the qualification letter relating to the accuracy of deductions and contributions paid during the year. It is acknowledged that these have been the result of difficulties in implementing scheme changes into the payroll system.
- **Internal Audit:** Internal Audit are very knowledgeable on the Teacher's Pension Scheme; for issues identified within the Authority's own Payroll system, assistance could be considered with Internal Audit consultation by the Payroll Team and/ or review of processes in advance of the Authority submission to PricewaterhouseCoopers.

We would encourage review of the processes in place for the preparation and timetable for the Return to avoid additional auditor time in future periods.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, time and issues.

At the same time, we welcome closer scrutiny by officers of any certification claims submitted to us for review and continued efforts to ensure that the quality of evidence available to support claims/returns is appropriate. The Council's performance may also be improved by ensuring prior year qualification issues are reviewed and controls assessed to mitigate against similar errors occurring in future periods.

# Appendix B

## 2012/13 Management Action Plan

### PEN05 Teachers' Pension Return (29/11/13)

All significant matters are in respect of the 2012/13 Teachers' Pension Return. At the start of the period the scheme saw the introduction of tiered employee contribution rates according to Full Time Equivalent salary; implementation of these presented some new difficulties to the Authority alongside their limited staff time for review and completion of the Return and their investigation of Payroll reconciliation concerns; we were advised that this was due to competing demands for completion and monitoring of non-Authority Teacher Pension returns.

The most significant issues were set out in our qualification letter dated 29 November 2013; unless otherwise stated these issues were not amended for:-

Issue	Recommendation	Management response	Responsibility (Implementation date)
<b>Non-compliance with regulations, terms and conditions</b>  <b>Authority Payroll:-</b> The Authority has experienced difficulties with the introduction of tiered contribution rates in 2012/13; this has raised overall uncertainty on the correct position of deductions and contributions paid during the period from the payroll reporting system ORACLE.	The Authority should review the systems and processes in place for the correct administration of the Teacher's Pension scheme within the Payroll system to ensure the correct deductions and contributions are made and remitted to Teachers Pensions.	The introduction of tiered contributions has been complex and challenging. System and processes have been reviewed as a result of learning in this first year. In the main issues have been around backdated changes and refunds, normal deductions are in accordance with bandings and we are confident these are correct. The ESC team will work with internal audit to further review systems and processes before the next end of year return is due.	Emma Gibson ESC Manager – supported by Internal Audit Team  End February 2014

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p><b>Additional Contributions and Additional Payments</b></p> <p>The Authority's payroll system is unable to distinguish between additional pension payments and additional contributions as these are all input on the same code. Manual listings were provided to evidence the split. Our review of the completeness of the additional pension payments balance identified an employee whose further contributions had been incorrectly included in 'Additional Contributions' instead of 'Additional Pension Payments'; this was amended for. However, without testing the whole population of the 'Additional Contributions' balance it was not possible for us to give full assurance on the accuracy of classification of these amounts.</p>	<p>The Authority should review its payroll system to enable the identification of Additional Contributions and Additional Pension Payments to provide themselves with assurance over the accuracy of its reporting and appropriateness of deductions made and contributions remitted.</p> <p>Risk: misclassification of deductions and inaccurate TP records for the employee.</p>	<p>This does not have any effect on overall contributions due. A separate element to identify this will be considered and impact assessed.</p>	<p>Emma Gibson ESC Manager – supported by ICT resource</p> <p>February 2014</p>
<p><b>Employee Contributions Deducted</b></p> <p>A number of errors were identified during sample testing for deduction of employee contributions at the correct tier rate; the Authority was unable to provide further explanation for these errors and we were unable to confirm assurance that deductions had been made at the appropriate rate. Indications were that the payroll system was defaulting on a random basis to the old rate of 6.4% for some employees. At the time of our qualification, the Authority had not been able to investigate the issue to be able to conclude or provide quantification to the extent of the potential error across the total population.</p>	<p>The Authority should investigate the cause for the payroll system errors causing the default of the old rate to 6.4% for employee contributions deducted.</p>	<p>Following further investigative work after the audit we have been able to confirm that this problem relates mainly to refunds rather than deductions.</p> <p>The other main reason was that our report was not able to accurately apportion contributions where an employee had been re-banded during the year.</p> <p>Work is underway to make changes to the payroll system and resolve the reporting issue.</p>	<p>Emma Gibson ESC Manager – supported by ICT resource</p> <p>February 2014</p>

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p><b><u>Issue 1</u></b> For four out of thirty-five teachers tested, the incorrect rate of teachers' contributions was deducted. In a fifth case a backdated payment had not been correctly shown in the Return. The impact of this is the potential underpayment of employee contributions.</p> <p><b><u>Issue 2</u></b> Further to Internal Audit enquiry, the Authority advised that they have detected that for part time employees in receipt of pensionable allowances, that they have incorrectly calculated contribution tiers. Although the system uses the FTE salary for part time employees to calculate the correct tier contributions as required, they have only added to this the exact value of pensionable allowance received, rather than adding the FTE of pensionable allowance (gross) to the total FTE to determine the appropriate contribution tier. The Authority has been unable to quantify the potential impact of this error.</p>	<p><b><u>Issue 1</u></b> A review should be undertaken to ensure that all errors are corrected and refunded where shortfalls have arisen.</p> <p>Risk: under deduction of employee contributions paid into the pension scheme.</p> <p><b><u>Issue 2</u></b> The Authority should review all part time employees with the identification of those with pensionable allowances to make any necessary corrections of underpayments.</p> <p>Going forward, the system should be corrected to ensure that the contributions deducted are in accordance with the Teachers Pensions Regulations and guidance on the correct method of calculation.</p> <p>Risk: incorrect deduction of contributions paid into the pension scheme.</p>	<p>There has now been a fix applied to live system and a report of existing allowances on part time staff to check.</p>	

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p><b>Refunds</b></p> <p>The Authority advised that the prior year refunds entry had been determined through a manual review of negative balances included in the payroll system reports, with the extraction of prior year refunds to spreadsheet working papers. The Authority advised that there was no reliable method to determine the accuracy of refund classification between current and prior year. The return requires their separation within the entries.</p> <p>Manual working papers presented five prior year refunds; when we compared this to the payroll reports there were nineteen negative entries; identifying the risk of omission. Due to the uncertainty over classification a sample of five negative balances not included as prior year refunds within the return or on working papers were selected for testing. Two of the five identified classification errors and were amended for; however it was further identified that the negative balances on the payroll report were in each case net balances made up of both current year and prior year refunds.</p> <p>Further sample testing of five negative balances identified five more errors. These all related to incorrect calculations of current year refunds that had been processed with the application of the incorrect tier rate which appeared to have defaulted</p>	<p>The Authority should review its payroll system to enable the identification of current year and prior year refunds to ensure appropriate treatment and remittance of refunds to provide themselves with assurance over the accuracy of its reporting.</p> <p>For refund cases where calculation errors were noted, appropriate corrections should be made and remitted.</p> <p>For untested refunds the Authority should ensure a review and appropriate correction for refund shortfalls made to employees.</p> <p>The Authority should investigate the cause for the payroll system errors causing the default of the old rate to 6.4% for refunds made.</p> <p>Risk: underpayment of refunds and incorrect payments into the scheme.</p>	<p>Better reporting is required to identify these records and work is being undertaken to investigate the feasibility of this. Otherwise it will be a manual exercise to check all cases.</p>	<p>Emma Gibson ESC Manager – supported by ICT resource</p>

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>to 6.4% old rate.</p> <p>As a result of these refund errors identified we are unable to conclude that refunds made during the year have been processed at the correct tier contribution rate. The impact of this is the potential underpayment of employee refunds.</p> <p>The Authority is unable to provide an explanation for these errors nor has it investigated the issue to quantify the overall extent of the error.</p>			
<p><b>Other Payroll Providers</b></p> <p>The Authority's Internal Auditors tested the other payroll provider figures included in the Return; these providers are external to the Authority payroll. Internal Audit raised the following issues at five of these providers.</p> <p>A sample of thirty-three teachers paid by other payroll providers were tested to confirm that contributory salaries have been extracted correctly from payroll records and that teachers' and employers' contributions had been deducted at the appropriate rate. The sample testing identified the following issues:</p>			
<p><b>Issue 1</b></p> <p>For one provider (Ref A), a part-time employee contributed to the pension scheme and had received a payment for additional hours worked. This payment has been incorrectly treated as non-pensionable.</p> <p><i>Value of Under Deduction:</i>  Pensionable Pay: £272.40  Teacher Contributions (7.3%): £19.89  Employer Contributions: £38.42</p> <p><b>Issue 2</b></p>	<p>Failure to comply with the regulatory requirements may mean that the Authority submits an inaccurate Return, and that the teacher's pension contributions deducted and remitted for the year are inaccurate.</p> <p>Internal Audit has raised these matters in their report.</p> <p>The Authority should ensure that</p>	<p>Overall values are small.</p> <p>Schools with outsourced payrolls are regularly written to with requirements and for 2014/15 Charnwood High School will be the only remaining LA school with an out-sourced payroll, therefore minimising risks in this area.</p>	<p>Emma Gibson - ESC Manager</p> <p>Jennifer Lawrence Finance Business Partner(Schools)</p>

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>For the same provider (Ref A) and a second provider (Ref B), seven employees had the incorrect tier of contributions applied based on their FTE salary. This error was largely, but not wholly, associated with the annual pay increment in September 2012 when the new salaries should have been placed within the higher tier of contribution.</p> <p><i>Total Value of Under Deduction:</i> Teacher Contributions: £301.17 Pensionable Pay and Employer Contributions: unaffected</p> <p><b><u>Issue 3</u></b> Of the thirty-three employee records examined ten had received backdated pay increases.</p> <p>For five of these ten employees the new salary payable fell into the same contribution tier as the previous salary paid, therefore negating the need for recalculation of contributions. However, for the remaining five employees the new salary fell into a higher contribution tier but the backdated contributions had only been recalculated for four of them with no recalculation had been carried out for the fifth.</p> <p><i>Total Value of Under Deduction</i> Teacher Contributions: £37.74</p> <p><b><u>Issue 4</u></b> Two out of thirty five of the records examined did not have teachers' pension contributions deducted. One record could be verified as having opted out of the scheme. For the other case, the Teacher's</p>	<p>the providers responsible for calculating the contributions are aware of the regulatory requirements and their responsibilities for the provision of evidence.</p> <p>Consideration may be given to increased guidance from the Authority to the Other Payroll providers to ensure that they understand the requirements of the scheme and the implications of the introduction of the tiered contributions to ensure appropriate calculation for deductions.</p> <p>Risk:-</p> <p>Issues 1 to 4 - Under payment of contributions by both the teacher and employer.</p> <p>Issues 5 to 6 – Overpayment of contributions by both the teacher and employer.</p>		

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>Pensions Portal recorded that the individual had opted in to the scheme with effect from 1 April 2009. Further investigative work undertaken by Internal Audit, has concluded that they were automatically brought into the pension scheme in April 2009 and as such contributions should have been paid for all work undertaken and treated as pensionable under scheme requirements.</p> <p><i>Underpayment of Contributions:</i></p> <p>Contributory Salary:£12,361.43 Teacher Contributions (7.3%):£902.38 Employer Contributions:£1,742.96</p> <p><b><u>Issue 5</u></b></p> <p>Contributions had been deducted in respect of thirty one employee records tested. The teachers' record reports were examined to ensure that there were no cases of the teacher having opted out of the scheme. In one case it was identified that the employee had elected to opt out of the scheme but was still having contributions deducted from salary.</p> <p><i>Overpayment of contributions:</i></p> <p>Contributory Salary:£11,363.48 Teacher Contributions (7%):£795.47 Employer Contributions: £1,602.25</p> <p><b><u>Issue 6</u></b></p> <p>On a monthly basis the Authority pays over the value of all teachers' pension contributions deducted, i.e. all teachers employed at LA</p>			

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>maintained schools regardless of payroll provider. To facilitate this, schools/colleges that have outsourced the payroll function are required to submit details of contributions deducted and the contributory salary. A verification was undertaken by Internal Audit between the information submitted and the supporting working papers used to calculate the monthly payments to Teachers' Pensions; the results identified:-</p> <ul style="list-style-type: none"> <li>• An AVC payment to an employee of a third payroll provider of £390.72 had been incorrectly remitted to TP.</li> <li>• An over remittance of £686.25 had occurred relating to a fourth payroll provider due to misleading information of deductions provided by the college.</li> </ul> <p><b>Issue 7</b> Individual monthly reports submitted by the payroll providers where LA maintained establishments undertake the payroll in-house were examined by Internal Audit and calculations performed to verify the relevant ratio of employees' and employers' contributions to pensionable pay.</p> <p>A number of errors were noted. Although all other errors were amended, Internal Audit found that there were various anomalies within employee rate tiers 3,4,5 and 7 for a fifth external payroll provider. These were due to the college adjusting contributions for previous months following the</p>			

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>recalculation of contribution tier as a result of backdated pay rises.</p> <p>Internal Audit was not able to identify all corresponding employees to obtain the appropriate amendments required for each tier.</p>			

# Appendix C

## 2011/12 Management Action Plan – Progress made.

### PEN05 Teachers' Pension Return (30/11/12)

Issue	Recommendation	Management response, responsibility and implementation date	Recommendation Status
<p><b>Non-compliance with regulations, terms and conditions</b></p> <p><u>Part B of the Return: Other Payroll Providers</u></p> <p>The Authority's Internal Auditors carried out testing on Provider reports and a sample of other payroll providers records and identified the following errors:-</p> <p><b>ISSUE 1</b></p> <p>For one provider Internal Audit's comparison to monthly statements provided to the Authority to the Colleges actual payroll and analytics identified that in October 2011 employer contributions were in excess of the relevant percentage when compared to contributory salary. The College had received notification of an employee opting out of the pension scheme back dated to August 2011. The college had reduced the contributory salary and refunded employee contributions previously deducted (August and September). However an error had been made when refunding employer contributions in that they had omitted to refund August contributions to the value of £19.06. Internal Audit confirmed that the college was aware of the error and will be refunding</p>	<p>Failure to comply with the regulatory requirements may mean that the Authority submits an inaccurate Return, and that the teacher's pension contributions deducted and remitted for the year are inaccurate.</p> <p>Internal Audit has raised these matters in their report.</p> <p>The Authority should ensure that the providers responsible for calculating the contributions are aware of the regulatory requirements and their responsibilities for the provision of evidence.</p>	<p>Agreed.</p> <p>A letter was sent on 11<sup>th</sup> December 2012 to the remaining three schools who use external payroll providers that are still County Council schools. All of the others with external payroll providers have now converted to Academies and are no longer included in the County Councils Teachers Pension Return.</p> <p>The letter points out the areas of concern as expressed in this report and explains the correct course of action.</p> <p>EMSS Service Delivery Manager December 2012</p>	<p>Similar issues did not arise in the work performed by Internal Audit on the other payroll providers in 2012/13.</p> <p>Whilst a number of issues were noted, these were different in nature and are detailed in Appendix B.</p>

Issue	Recommendation	Management response, responsibility and implementation date	Recommendation Status
<p>employer contributions during 2012/13.</p> <p><b>ISSUE 2</b></p> <p>For two colleges who outsource their payroll to the same payroll provider; the year-end report provided by the provider to the Authority detailing the contributory salary together with employee and employer contributions deducted in the year, highlighted, when reviewed by Internal Audit, that for two employees the contributions deducted amounted to more than the relevant percentage rate of contributions resulting in the overpayment of employee contributions by £12.75 and employer contributions by £19.46.</p> <p>Internal Audit contacted the provider regarding these two cases and has confirmation that the overpayments will be refunded in 2012/13.</p> <p>Internal Audit Sample testing of whether contributions have been properly calculated, deducted and remitted in accordance with the rules of the Teachers' Pension scheme identified:-</p> <p><b>ISSUE 3</b></p> <p>For one out of five initial records tested at one of the colleges, an employee received an additional payment of £87.29 for 'Keeping In Touch Day' whilst on maternity leave. This payment had been incorrectly treated as pensionable and resulted in the overpayment of pension as:-</p>	<p>Consideration may be given to increased guidance from the Authority to the Other Payroll providers to ensure that they understand the requirements of the scheme.</p> <p>Risk:-</p> <ul style="list-style-type: none"> <li>Overpayment of contributions by both the teacher and employer.</li> </ul>		

Issue	Recommendation	Management response, responsibility and implementation date	Recommendation Status
<p>Contributory Salary: £87.29 Employee Contributions: £5.57 Employer Contributions: £12.31</p> <p>Additional sample testing at the same college identified no further instances of this error.</p> <p>The College have advised the Authority that they will be refunding the overpayment of contributions deducted at during the 2012/13 financial year.</p> <p><b>ISSUE 4</b> For four out of five initial records tested at another college the following errors were identified:</p> <ul style="list-style-type: none"> <li>• Three employees with payments of GTC allowance treated as non-pensionable; and</li> <li>• One of these employees also had a deduction in respect of industrial strike action treated as non-pensionable.</li> </ul> <p>Additional testing of a further five records at the college identified:-</p> <ul style="list-style-type: none"> <li>• Three further employees with payments of GTC allowance treated as non-pensionable; and</li> <li>• Two of these employees also had a deduction in respect of industrial strike action treated as non-pensionable.</li> </ul> <p>Internal Audit was able to quantify the error for GTC</p>			

Issue	Recommendation	Management response, responsibility and implementation date	Recommendation Status
<p>at the college as:-</p> <p>Total number of cases of GTC allowance paid in May 2011 - 44  Value of GTC - £1,452.00  Employee Contributions - £92.32  Employer Contributions - £204.73</p> <p>Total value of deductions for industrial strike action deducted in July 2011  Value - £1,192.61  Employee contributions - £76.33  Employer contributions - £168.16</p> <p>Internal Audit has agreed with College that the overpayment of contributions detected will be refunded during the 2012/13 financial year and the college has subsequently updated the payroll system to ensure the error does not occur in future periods.</p>			

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## Glossary

### Audit Commission Definitions for Certification work

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#### Abbreviations used in certification work are:-

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**‘appointed auditor’** is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

**‘assurance engagement’** is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

**‘auditor’** is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

**‘authorities’** means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

**‘certification instructions’** (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

**‘certify’** means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

**‘claims’** includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

**‘Commission’** refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

**‘grant-paying bodies’** includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

**‘returns’** are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

**‘Statement’** is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk);

**‘underlying records’** are the accounts, data and other working papers supporting entries on a claim or return.

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