

London Borough of Hillingdon

Report to the 8 December 2011  
Audit Committee on the year  
ended 31 March 2011 Grant  
Certifications

Final Report

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# 1. Executive summary

We have pleasure in setting out in this document our key findings from our grant audit work of the London Borough of Hillingdon ("the Authority") for the year ended 31 March 2011. This report is not intended to be exhaustive but highlights the most significant matters that have come to our attention.

## Certification deadlines

We have certified all 8 grant returns required under our contract with the Audit Commission (see Section 4 for details) for the year ended 31 March 2011. All but 1 of the grant returns we reported on were certified by the original required deadline.

The original deadline for the HRA base data return was 10 October 2011. The Authority agreed an extension with the DCLG to enable us to certify this grant return at a later date and we met this revised deadline of 21 October 2011.

## Results of our grant return certification work

As a result of errors identified through the performance of our procedures, adjustments were made to 5 of the 8 grant returns prior to certification. A number of these adjustments related to form compilation errors; however, we also identified adjustments which indicated that grant instructions were not being correctly adhered to. We have summarised the number of adjustments identified and our conclusion on whether we were able to certify without a qualification letter in the table below. We have included additional comments below the table where we issued qualification letters on the grant returns in 2010/11:

Grant	Value of claim	Number of cells adjusted	Financial impact Increase/ (Decrease)	Qualified in 2010/11	Qualified in 2009/10
Pooling of housing capital receipts ("CFB06")	3,120,921	0	0	NO	NO
Disabled facilities return ("HOU21")	1,623,000	0	0	NO	NO
Sure start, early years and childcare and Aiming high for disabled childrens return ("EYC02")	12,637,384	0	0	NO	NO
National non domestic rates return ("LA01")	299,608,720	2	0	NO	NO
HRA subsidy base data return ("HOU02")	N/A	22	N/A	YES	NO
HRA subsidy return ("HOU01")	(11,304,798)	5	0	YES	NO
Teachers' pension return ("PEN05")	18,903,302	25	(£42,676)	YES	NO
Housing and council tax benefit scheme ("BEN01")	155,415,259	0	0	YES	YES

### Summary of qualification letters

#### 1. HRA subsidy base data return ("HOU02")

We issued a qualification letter on the HOU02 return as the Authority was unable to provide an audit trail which supported the classification of housing stock in accordance with DCLG guidance.

# 1. Executive summary (continued)

<b>Results of our grant return certification work (continued)</b>	<b>Summary of qualification letters (continued)</b> <b>2. HRA subsidy return (“HOU01”)</b> We issued a qualification letter on the HOU01 return in respect of 2 points: - one of the adjustments resulted in a change to a brought forward figure on the return; and - one of the adjustments resulted in a difference to a previously certified figure on the HOU02 grant return. <b>3. Teachers’ pension return</b> We issued a qualification letter on the PEN05 return in respect of 2 points: - our sample testing identified that the Authority had not correctly calculated pensionable pay. The Authority quantified the impact of this error as £33,628.20 pension contributions being incorrectly deducted and paid over; and - our sample testing identified that £1,769.48 of additional voluntary contributions were incorrectly paid to Teachers’ Pension as opposed to Prudential. <b>4. Housing and council tax benefit scheme (“BEN01”)</b> Our initial sample testing of 80 cases identified errors on 13 cases. The results of our extrapolation work indicate the Authority may have under claimed subsidy by approximately £6k. We have included details of all 13 cases in our qualification letter. See Section 3 for more details.
<b>Grant returns outside of the Audit Commission framework contract</b>	The Authority also requested that we undertake procedures on 3 grant returns which were outside of our Audit Commission framework contract. We have completed the required procedures on 2 of these grant returns, issuing a modified opinion on one of the returns. We expect to finalise our work on the third return by 16 December 2011.
<b>Fees</b>	Total fees charged to date in respect of the work performed on the 11 grant returns (2010: 13 grants) certified by Deloitte were £201,583 (2010: £155,367). Section 4 of this report sets out the fees charged on each of the 11 grant returns we certified; and summarises the value of the grant return and the results of our audit work.



## 2. Introduction

### Purpose of this report

This letter is addressed to the Audit Committee of the Authority and is intended to communicate key issues arising from our 2010/11 grant certification work. This Letter will be published on the Authority's website.

### Our responsibilities

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority. The Commission, rather than its appointed auditors, has the responsibility for making certification arrangements. The appointed auditor carries out work on individual claims as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

The respective responsibilities of the audited grant paying body, authorities, the Audit Commission and appointed auditors in relation to claims and returns are set out in the 'General Certification Instructions' produced by the Audit Commission.

Auditors presented with any claim or return that is not covered by a certification instruction should refer the matter to the Audit Commission for advice. If the Audit Commission has formally declined to make certification arrangements for a scheme, an auditor cannot act in any capacity. However, if the Audit Commission has not formally declined to make arrangements, the auditor can decide to act as a reporting accountant.

Any claims that we are asked to certify outside of the Audit Commission framework contract will be subject to a separate engagement letter between Deloitte, the Authority and any other party who will be relying on the results of our grant audit work. This engagement letter sets out the responsibilities of all parties involved in the engagement, the scope of our work and our terms of business.

### The scope of our work

Auditors appointed by the Audit Commission are required to:

- review the information contained in a claim or return and to express a conclusion whether the claim or return is: i) in accordance with the underlying records; or ii) is fairly stated and in accordance with the relevant terms and conditions;
- examine the claim or return and related accounts and records of the Local Authority in accordance with the specific grant certification instructions;
- direct our work to those matters that, in the appointed auditor's view, significantly affect the claim or return;
- plan and complete our work in a timely fashion so that deadlines are met; and
- complete the appointed auditor's certificate, qualified as necessary, in accordance with the general guidance in the grant certification instructions.

These responsibilities do not place on the appointed auditor a responsibility to either:

- identify every error in a claim or return;
- or maximise the authority's entitlement to income under it.

# 3. Results of our grant return certification work

## Grant returns certified without adjustment or a qualification letter

We were able to certify the following 2 grants without adjustment or a qualification letter:

- Pooling of housing capital receipts return (“CFB06”).
- Disabled facilities return (“HOU21”).

## Grant returns certified with adjustment and without a qualification letter

We were able to certify the following 2 grants with adjustments and without a qualification letter:

<b>EYC02 – Sure start, early years and childcare and Aiming high for disabled childrens return</b>	
<b>Adjustment details</b>	One of the Audit Commission requirements is for the EYC02 grant return to be certified with the auditor certificate printed on the reverse side of the grant return. The audit certificate was not present on the original version of the grant return presented for certification.
<b>Deloitte response</b>	We discussed the error with the Authority and the Authority chose to adjust the grant return to include the auditor certificate on the reverse of the grant return. In our return submitted to the Audit Commission we reflected the fact that the grant return had been amended but that no numerical amendment was made to the overall entitlement on the grant return.

<b>LA01 – National non-domestic rates (“NNDR”) return</b>	
<b>Adjustment details</b>	<p>The original LA01 grant return was required to be submitted on 24 June 2011, the Authority met this deadline. In July 2011 Northgate issued additional guidance relating to a Cross Rail business rates supplement that had been included in the grant return.</p> <p>It is not appropriate for the Cross Rail supplement to be included within the grant return as, although it is collected by the Authority, it is not part of NNDR reporting.</p> <p>The adjustment of £235,980 to remove the Cross Rail supplement impacted on 2 lines within the grant return:</p> <ul style="list-style-type: none"> <li>i) gross rates payable in respect of 2010/11; and</li> <li>ii) small business rate relief in respect of 2010/11.</li> </ul> <p>The adjustment had no impact on the overall gross amount or contributions to the NNDR pool.</p>
<b>Deloitte response</b>	<p>We discussed the adjustment with the Authority who agreed with our assessment. The Authority updated its Northgate software to account for the adjustment and we agreed this to correspondence from Northgate.</p> <p>The Authority chose to amend the grant return to reflect the £235,980 adjustment. In our return submitted to the Audit Commission we reflected the fact that the grant return had been amended but that no numerical amendment was made to the total amount of business rates payable into the pool.</p>



### 3. Results of our grant return certification work (continued)

#### Grant returns certified with adjustment and a qualification letter

The following 3 grant returns were certified with adjustment and with a qualification letter:

HOU02 – Housing finance base data return	
<b>Adjustment details</b>	<p>Our procedures for the certification of the HOU02 grant return identified the following 11 errors:</p> <p><b>1 presentational error</b> - in the original grant return the Authority included a net figure (i.e. premium minus discount) in the cell allocated to record the premium. The HOU02 grant instructions indicate that this figure should be presented on a gross basis. As result of this the Authority adjusted the grant return to show an increase of £204,162.64 in both the premium and discount cells.</p> <p><b>4 cell calculation errors</b> – on a number of the cells within the grant return we are required to compare the Authority’s calculation to the HOU02 grant instructions. Our testing identified errors in calculation on the following cells:</p> <ul style="list-style-type: none"> <li>• F004cc - ‘<i>estimated amount of principal outstanding on 1 April 2012 on any loan made to enable the borrower to acquire a dwelling in the housing revenue account (“HRA”)</i>’. The Authority recalculated this amount using the definition in the HOU02 grant instructions. Due to the nature of the error no adjustment was required to the grant return.</li> <li>• F0039mm - ‘<i>total value of rent in period 1 April 2010 to 31 March 2011 (including rent rebate)</i>’. The Authority recalculated this amount using the definition in the HOU02 grant instructions. This resulted in an increase of £64,327.93 to this cell on the grant return.</li> <li>• SF000cf - ‘<i>estimated HRA capital financing requirement (“CFR”) as at 31 March 2011</i>’. The Authority recalculated this amount using the definition in the HOU02 grant instructions. This resulted in an increase of £194,827 to this cell on the grant return.</li> <li>• F007ri - ‘<i>average actual weekly rent per dwelling in 2011/12 on a standardised 52 week basis</i>’. The Authority recalculated this amount using the definition in the HOU02 grant instructions. This resulted in an increase of 0.2249 to this cell on the grant return.</li> </ul> <p><b>4 cell classification errors</b> – on a number of the cells within the grant return we are required to check that the classification of the housing stock had been correctly stated. Our testing identified errors in calculation on the following cells:</p> <ul style="list-style-type: none"> <li>• F004mm - ‘<i>1945 – 1964 small terrace houses</i>’. Our testing identified 15 properties that should have been included in cell F005mm ‘<i>1945 - 1964 large terraced, semi detached and detached houses</i>’. The Authority adjusted the grant return accordingly.</li> <li>• During November 2011 the Authority undertook an exercise to measure a number of its properties in accordance with DCLG guidance. As a result of this exercise the Authority identified errors on the classification of 5 properties and amended the grant return to reflect these adjustments.</li> </ul>

### 3. Results of our grant return certification work (continued)

#### Grant returns certified with adjustment and a qualification letter (continued)

HOU02 – Housing finance base data return (continued)	
<p><b>Adjustment details (continued)</b></p>	<p><b>2 cells where there was a lack of audit trail</b> – on a number of cells within the grant return we are required to check that an audit trail exists to demonstrate that properties have been classified by size in accordance with DCLG guidance. For 2 cells:</p> <ul style="list-style-type: none"> <li>• F005mm ‘1945 - 1964 large terraced, semi detached and detached houses’; and</li> <li>• F003mm ‘All other pre-1945 Houses (MA)’</li> </ul> <p>our sample testing identified that, although the Authority had an audit trail, it was unable to demonstrate that this was in accordance with DCLG guidance.</p> <p>As a result of our findings the Authority undertook a measuring exercise (in accordance with DCLG guidance) on a large proportion of its housing stock with resulted in 368 properties being reclassified. The measuring exercise undertaken by the Authority resulted in an audit trail for all but 78 properties within the ‘1945 – 1964 large terrace houses’ category; and 65 properties within the ‘all other pre 1945 houses’ category.</p> <p><b>Qualification letter summary</b></p> <p>We have issued a qualification letter with respect to the 143 properties for which the Authority was unable to demonstrate an audit trail that was in accordance with DCLG guidance.</p>
<p><b>Deloitte response</b></p>	<p>We agreed the errors with the Authority and the Authority has not made any changes to the grant return to reflect the errors noted in our certification work. In our return submitted to the Audit Commission we reflected the fact that the grant return had been amended and that a qualification letter had been issued with respect to the 2 cells where there was a lack of audit trail.</p> <p>The majority of these errors appear to have arisen due to a misunderstanding of the grant instructions. We have agreed to hold a workshop with the various grant leads in 2011/12 to discuss our approach to the grant returns and the various certification requirements.</p>



### 3. Results of our grant return certification work (continued)

#### Grant returns certified with adjustment and a qualification letter (continued)

HOU01 – HRA subsidy	
<b>Adjustment details</b>	<p>Our procedures for the certification of the HOU01 grant return identified the following 6 errors:</p> <p><b>1 presentational error</b> - in the original grant return the split between the general fund CFR and HRA CFR was incorrectly recorded. These 2 errors net off and therefore no adjustment was required to cell F004ci '<i>Capital Financing Requirement at 1 April 2010 minus adjustment A</i>'.</p> <p><b>5 cell calculation errors</b> - on a number of the cells within the grant return we are required to compare the Authority's calculation to the HOU01 grant instructions. Our testing identified errors in calculation on the 5 cells which we have summarised below:</p> <ul style="list-style-type: none"> <li>• F001ci - '<i>Opening HRA Capital Financing Requirement 2010-2011</i>'. Our sample testing identified an adjustment to increase cell F001ci by £928,362.</li> <li>• F005ci - '<i>Capital Financing Requirement at 1 April 2011 minus adjustment A</i>'. Our sample testing identified an adjustment to decrease cell F005ci by £473,630.</li> <li>• F006ci - '<i>Average Capital Financing Requirement 2010-2011</i>'. Our sample testing identified an adjustment to decrease cell F006ci by £236,815.</li> <li>• F007ci - '<i>Mid year HRA Capital Financing Requirement 2010-2011 calculated in accordance with paragraph 6 of the Item 8 Determination 2010-2011</i>'. Our sample testing identified an adjustment to increase cell F007ci by £227,366.</li> <li>• F008ci - '<i>Higher of the average Capital Financing Requirement and the mid year HRA Capital Financing Requirement ("P" in the formula)</i>'. Our sample testing identified an adjustment to decrease cell F008ci by £202,815.</li> </ul> <p><b>Qualification letter summary</b></p> <p>We issued a qualification letter with respect to the following 2 issues on the HOU01 grant:</p> <ol style="list-style-type: none"> <li>1) The above adjustments resulted in a change to a prior year figure '<i>Opening HRA Capital Financing Requirement 2010-2011</i>' and the qualification letter has been issued to highlight this issue to the DCLG.</li> <li>2) The above adjustments have a knock on impact to cell SF000CF '<i>estimated HRA capital financing requirement ("CFR") as at 31 March 2011</i>' on the HOU02 grant return. We have included this within the qualification letter to highlight this issue to the DCLG.</li> </ol>
<b>Deloitte response</b>	<p>We agreed the errors with the Authority and the Authority has not made any changes to the grant return to reflect the errors noted in our certification work. The adjustments had no impact on the overall value of the grant return.</p> <p>In our return submitted to the Audit Commission we reflected the fact that the grant return had been amended and that a qualification letter had been issued with respect to the points described above.</p> <p>The majority of these errors appear to have arisen due to a misunderstanding of the grant instructions. We have agreed to hold a workshop with the various grant leads in 2011/12 to discuss our approach to the grant returns and the various certification requirements.</p>

### 3. Results of our grant return certification work (continued)

#### Grant returns certified with adjustment and a qualification letter (continued)

PEN05 – Teachers’ pension return (“TPR”)	
<b>Adjustment details</b>	<p>Our procedures for the certification of the PEN05 grant return identified the following errors:</p> <p><b>Presentational errors</b> – we identified minor adjustments on 25 cells within the grant return. This error was identified in the prior year and appears to be as a result of a lack of understanding of the PEN05 grant instructions and a lack of thorough review of the grant return. The Authority agreed these adjustments and updated the grant return.</p> <p><b>Qualification letter summary</b></p> <p>Our testing identified the following issues which we have included within our qualification letter:</p> <ol style="list-style-type: none"> <li>1) For 2 teachers in a sample of 4, we identified that the Authority had incorrectly including one-to-one teaching or booster teaching as pensionable salary. The impact of this was that additional pension contributions were taken from teachers during 2010/11.</li> </ol> <p>The Authority provided us with a list of teachers impacted by this and quantified the total impact on their contributions. This indicated that the contributory salary figure was overstated by £164,040 which resulted in pension contributions of £33,628 over what should have been made.</p> <p>We understand that the Authority is contacting the individual teachers involved to arrange a refund of the additional contributions during 2011/12 and that this will be disclosed in the 2011/12 teachers’ pension return.</p> <ol style="list-style-type: none"> <li>2) Our testing of 100% of the population of additional voluntary contributions for external payroll providers identified that for 1 school, additional voluntary contributions of £1,769.48 made by 2 teachers were incorrectly remitted to Teachers’ Pension instead of Prudential.</li> </ol> <p>The Authority has correctly disclosed the additional voluntary contributions deducted and remitted in its 2010/11 teachers’ pension grant return but the error in treatment of the additional voluntary contributions has resulted in this qualification.</p>
<b>Deloitte response</b>	<p>We agreed the errors with the Authority and the Authority has not made any changes to the grant return to reflect the errors noted in our certification work. The adjustments to the grant resulted in a reduction to the overall contributions balance of £42,676.</p> <p>In our return submitted to the Audit Commission we reflected the fact that the grant return had been amended and that a qualification letter had been issued with respect to the 2 points described above.</p> <p>The majority of these errors appear to have arisen due to a misunderstanding of the grant instructions and a lack of thorough review of the grant return. We have agreed to hold a workshop with the various grant leads in 2011/12 to discuss our approach to the grant returns and the various certification requirements.</p>



### 3. Results of our grant return certification work (continued)

#### Grant return certified without adjustment but with a qualification letter

The Housing and council tax benefit scheme (“BEN01”) was certified without adjustment but with a qualification letter.

In 2010/11 we identified errors on 13 cases (2009/10: 8 cases), which had up to 4 different errors types within 1 individual case. We were able to group similar errors types together across the 13 cases to give a total of 13 different error types. 12 of these errors resulted in an overstatement of an individual’s benefit entitlement or subsidy or both.

Where overstatement errors are identified in our initial testing we are required by the Audit Commission to undertake prescriptive additional testing to ascertain whether the errors are isolated or require inclusion in the qualification letter.

We undertook additional work on the 12 overstated error types (2009/10: additional work was required on 2 error types) but were unable to conclude that any of the error types included wholly isolated errors. As a result of this all 12 overstated error types were reported within our 2010/11 qualification letter. We were also required to report the understated error type in the qualification letter as this was identified on two cases which meant we were unable to conclude that it was an isolated error.

We were required to include in our qualification letter extrapolation calculations for 10 of the errors (all of the overpaid or overstated errors where we did not test 100% of the population), which compared to 2 extrapolation tables in 2009/10.

The Authority has not updated the 2010/11 claim form for any of the errors we identified and we have included all 13 error types within our qualification letter.

Given the nature of the population and the variation in the errors found, it is unlikely that additional work would have resulted in amendments to the BEN01 grant return that would have allowed us to conclude that it was fairly stated.

We have set out a summary of our findings in the table below:

BEN01 – Housing and council tax benefit scheme	
Qualification details	<p><b>Rent rebates (Tenants of HRA properties)</b>  <b>Total expenditure £30,353,672</b></p> <p>Our testing of rent rebates (tenants of HRA properties) (“rent rebates”) identified an error on 1 case relating to working tax credits (“WTC”). This error resulted in benefit being underpaid to the claimant by £6.28.</p> <p>This type of error could have resulted in overpayment and therefore we were required to undertake additional testing. Our additional testing identified one case where benefit had been overpaid to the claimant by £156.15.</p> <p><i>Conclusion</i></p> <p>We concluded that the error was not isolated and included this within our qualification letter. We extrapolated the error and this had no impact on subsidy.</p>
	<p><b>Rent rebates (Tenants of non HRA properties)</b>  <b>Total expenditure £13,655,513</b></p> <p>Our testing of rent rebates LANHRA (tenants of non HRA properties) (“LANHRA”) identified errors on 5 cases. A number of these cases included multiple errors and we have therefore grouped the errors as follows:</p> <ol style="list-style-type: none"> <li>1. incorrect calculation of earnings;</li> <li>2. misclassification of overpayments;</li> <li>3. incorrect rent liability and misclassification of expenditure between cells 12 and 14;</li> <li>4. misclassification of backdated expenditure;</li> <li>5. misclassification of employed earnings; and</li> <li>6. incorrect application of child tax credit.</li> </ol>

### 3. Results of our grant return certification work (continued)

#### Grant return certified without adjustment but with a qualification letter (continued)

BEN01 – Housing and council tax benefit scheme (continued)	
<b>Qualification details</b>	<p><i>Conclusion</i></p> <p>Errors identified on our additional testing meant that we were unable to conclude that these errors were isolated.</p> <p>Our testing across the 6 different error types identified errors which, when extrapolated, fell within the range of £7 – £125,896. The total impact of this was over claimed subsidy of approximately £49k.</p>
	<p><b>Rent allowances</b></p> <p><b>Total expenditure £87,558,474</b></p> <p>Our testing of rent allowances (“RA”) identified errors on 5 cases. A number of these cases included multiple errors and we have therefore grouped the errors as follows:</p> <ol style="list-style-type: none"> <li>1. misclassification of overpayments;</li> <li>2. incorrect rent liability and misclassification of expenditure between cells 99 and 103;</li> <li>3. incorrect calculation of earnings; and</li> <li>4. incorrect application of tax credit.</li> </ol> <p><i>Conclusion</i></p> <p>Errors identified on our additional testing meant that we were unable to conclude that these errors were isolated.</p> <p>Our testing across the 4 different error types identified errors which, when extrapolated, fell within the range of £1 – £91,581. The total impact of this was under claimed subsidy of approximately £55k.</p>
	<p><b>Council tax</b></p> <p><b>Total expenditure £22,276,751</b></p> <p>Our testing of council tax benefit (“CTB”) identified errors on 3 cases. We have grouped the errors as follows:</p> <ol style="list-style-type: none"> <li>1. cumulative audit knowledge and experience (“CAKE”) of pension credits; and</li> <li>2. incapacity benefit.</li> </ol> <p><i>Conclusion</i></p> <p>Errors identified on our CAKE testing of error 1 meant that we were unable to conclude that this error was isolated. The total value of the errors identified on this test was an overpayment of £59.92 and we included this within our qualification letter. We extrapolated the error and this had no impact on subsidy.</p> <p>Our testing of error 2 indicated that benefit had been underpaid. We understand that this type of error would always result in underpaid benefit. As there is no eligibility to subsidy for the benefit which has not been paid, the underpayments identified have not been classed as errors for subsidy purposes and have not been included in our extrapolation calculations.</p> <p>The error was identified on 2 cases and we have therefore concluded that the error was not isolated.</p>



### 3. Results of our grant return certification work (continued)

#### Grant return certified without adjustment but with a qualification letter (continued)

BEN01 – Housing and council tax benefit scheme (continued)	
<b>Deloitte response</b>	<p>Given the number of transactions and the volume of manual processing required for the benefit calculation, we understand that it is not unusual for the BEN01 grant to be qualified. Our experience with this grant on other Local Authorities indicates that the types of errors we have identified at Hillingdon are similar to those identified at other Local Authorities; albeit the volume of errors identified at Hillingdon in 2010/11 appears to be greater than at other Local Authorities.</p> <p>Our sample testing during 2010/11 has identified a number of errors. We agreed the errors with the Authority and the Authority has not made any changes to the grant return to reflect the errors noted in our certification work.</p> <p>In our return submitted to the Audit Commission we reflected the fact that the grant return had not been amended and that a qualification letter had been issued.</p> <p>We have arranged to hold a de-brief meeting with the two Senior Benefit Quality Control Officers on 1 December 2011 to discuss our approach to the grant returns and the various certification requirements.</p>

#### Grant returns outside of the Audit Commission framework contract

In addition to the grants we have certified under our Audit Commission framework contract, the Authority requested that we undertake agreed upon procedures on 3 additional grants all relating to, Gateway Heathrow 2012: Local Workforce Recruitment (ESF-2007-2010 Round 2) ("Gateway grant").

The Gateway grant is a London Development Agency ("LDA") single programme grant which aims to assist individuals in finding work around the Heathrow Airport area. As this grant is outside of the Audit Commission framework contract we signed a tripartite agreement with the LDA and the Authority setting out the exact procedures that we were required to undertake on the Gateway grant return, the Statement of Output Delivery and Expenditure ("SODE"); this agreement also provided the form of our report to the Authority and the LDA.

The report required us to give an opinion on whether the grant was fairly stated and to include details of any of the agreed upon procedures which we were not able to complete.

At the date of this report we have completed our procedures on 2 of the grant returns. We have issued a modified opinion on 1 of these grant returns and have included the detail on this in the table below. We anticipate completing our procedures on the final grant return by 16 December 2011.

Gateway grant	
<b>Adjustment details</b>	<p>Our testing of the Gateway grant, with LDA project reference 25723, identified the following issues:</p> <ul style="list-style-type: none"> <li>• We were unable to verify 1 skills certificate to support an output of £200 in 2010/11. We reviewed an email which indicated that the output was delivered in 2009/10 which indicates that the 2010/11 outputs were overstated by £200.</li> <li>• Our sample testing identified costs of £1,416 recorded in the 2010/11 grant return which related to 2009/10. Expenditure was therefore overstated in 2010/11 by £1,416.</li> <li>• Our sample testing identified that salary costs for one project manager had been over apportioned to the project by 2% or £387 in 2010/11.</li> </ul>
<b>Deloitte response</b>	<p>We agreed our findings with the Authority who chose not to amend the grant return.</p> <p>The terms of our engagement with the Authority and the LDA require us to report by exception. We therefore reported that the claim was fairly stated with the exception of the 3 points noted above.</p>



## 4. Certification information

Our work on the Authority grant certifications for the year ended 31 March 2011 is now predominantly complete and the table below summarises the results of this work and our billings by grant return as at the date of this report. We have an element of work still to complete and we estimate costs for this will be between £7- £9k. We will confirm this with the Chief Finance Officer and issue our final bill on completion. Under the Audit Commission framework agreement we bill our grant work on a time incurred basis. Significant differences on fee when compared to 2010 are explained beneath the table.

Certification instruction	Within Audit Commission framework	Claim/ return	2011 value of claim (£)	2011 results of audit work	2011 audit fee (£)	2010 audit fee (£)
BEN01	YES	Housing and council tax benefits scheme	155,415,259	Qualified	118,511	100,307
CFB06	YES	Pooling of housing capital receipts	3,120,921	Satisfactory	3,770	3,373
EYC02	YES	Sure start, early years and childcare	12,637,384	Amended	6,132	4,460
HOU01	YES	HRA subsidy	-11,304,798	Qualified	8,560	2,953
HOU02	YES	HRA subsidy base data return	N/A	Qualified	19,823	4,213
LA01	YES	National non-domestic rate return	299,608,720	Amended	10,450	10,958
PEN05	YES	Teachers' pension return	18,903,302	Qualified	10,450	7,655
HOU21	YES	Disabled facilities	1,623,000	Satisfactory	4,255	3,320
Gateway	NO	Single programme LDA - Gateway Heathrow 2012: Local Workforce Recruitment (ESF-2007-2010 Round 2)	546,439	Modified	6,544	7,085
Gateway (extension)	NO	As above for Gateway	90,000	Satisfactory	6,544	0
Gateway (final claim)	NO	As above for Gateway	44,772	TBC	6,544	0
RG31	YES	Single programme LDA – Hillingdon LIDO/ Hillingdon sports & leisure centre	Not applicable in 2010/11.		0	2,761
RG31	YES	Single programme LDA – Workmates – West London working persona advice and outreach	Not applicable in 2010/11.		0	2,761
RG31	YES	Single programme LDA – London Youth Offer	Not applicable in 2010/11.		0	2,761
RG31	YES	Single programme LDA – Childcare Affordability Programme 05	Not applicable in 2010/11.		0	2,760
<b>TOTAL</b>					<b>201,583</b>	<b>155,367</b>

## 4. Certification information (continued)

We have kept the Chief Finance Officer updated on costs on a regular basis. The table below explains variances on fees between 2010 and 2011 which are over £5,000.

Grant return	Variance (£)	Reason for variance
BEN01	18,204	<p>In 2010 we identified errors on 8 cases on the BEN01 grant return; and we received 2 letters from the Department of Work &amp; Pensions (“DWP”) which meant that additional work was required.</p> <p>In 2011 we identified errors on 13 cases on the BEN01 grant return. As at the date of this report we have not received any letters from the DWP.</p>
HOU01	5,607	<p>In 2010 we were able to take reliance on controls and did not undertake detailed testing on this grant.</p> <p>In 2011 we identified issues on the HOU02 grant which meant that we were unable to place reliance on controls for the HOU01 grant. We were therefore required to undertake detailed testing on this grant.</p> <p>In addition to this we issued a qualification letter on this grant.</p>
HOU02	15,610	<p>In 2010 we were able to take reliance on controls and did not undertake detailed testing on this grant.</p> <p>In 2011 we identified issues on the HOU02 grant which meant that we were unable to place reliance on controls for the HOU01 grant. We were therefore required to undertake detailed testing on this grant.</p> <p>In addition to this we issued a qualification letter on this grant.</p>
Gateway grant (3 grants combined)	19,632	<p>This grant was certified for the first time in 2010. In 2011 the Authority requested that we certify 2 additional Gateway grants.</p>

## 5. Responsibility statement

This letter has been discussed and agreed with the Director of Finance of the Authority and has been presented to the Audit Committee on 8 December 2011.

We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the grant certification procedures. Our aim is to deliver a high standard of service which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your cooperation and support.



**Deloitte LLP**

Chartered Accountants

St Albans

2 December 2011

*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, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors and this report is prepared on the basis of, and the grant certification procedures are carried out, in accordance with that statement.*

*The matters raised in this report are only those that came to our attention during our grant certification procedures and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented.*

*This report sets out those matters of interest which came to our attention during the grant certification procedures. Our work was not designed to identify all matters that may be relevant to the Members and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.*

*This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.*



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