



London Borough of Hillingdon

Report to the Audit Committee
on the year ended 31 March 2013
Certification work

Final Report

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1. Executive summary

We have pleasure in setting out in this document our key findings from our claims and returns certification work of the London Borough of Hillingdon ("the Authority") for the year ended 31 March 2013. 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 4 claims and returns required under our contract with the Audit Commission (see Section 4 for details) for the year ended 31 March 2013. All claims and returns we reported on were certified by the original required deadline.
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Results of our claims and returns certification work	<p>As a result of errors identified through the performance of our procedures, 1 of the 4 claims/returns was qualified prior to certification. 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 claims/returns in 2012/13:</p> <table border="1"> <thead> <tr> <th>Claims/returns</th> <th>Value of claim £</th> <th>Number of cells affected</th> <th>Financial impact Increase/ (Decrease) £</th> <th>Qualified in 2011/12</th> <th>Qualified in 2012/13</th> </tr> </thead> <tbody> <tr> <td>Teachers' Pension Return ("PEN05")</td> <td>11,778,576</td> <td>1</td> <td>418</td> <td>NO</td> <td>NO</td> </tr> <tr> <td>National Non Domestic Rates ("NNDR")</td> <td>322,197,588</td> <td>-</td> <td>-</td> <td>NO</td> <td>NO</td> </tr> <tr> <td>Housing and Council Tax Benefit Subsidy ("BEN01")</td> <td>169,192,583</td> <td>9</td> <td>See below</td> <td>YES</td> <td>YES</td> </tr> <tr> <td>Pooling of Housing Capital Receipts ("CFB06")</td> <td>6,614,756</td> <td>-</td> <td>-</td> <td>NO</td> <td>NO</td> </tr> </tbody> </table> <p>Summary of qualification letters</p> <p>1. Housing and Council Tax Benefit Subsidy ("BEN01")</p> <p>Our initial sample testing of 80 cases identified errors on 8 cases. Additional testing of 200 cases relating to these errors identified no further errors. In line with Audit Commission methodology, we have also performed testing of 326 cases in areas with a past history of error. This testing identified 10 errors. The subsidy claim was not amended for these errors.</p> <p>We included details of all errors in our qualification letter to the DWP. See Section 3 for more details.</p>	Claims/returns	Value of claim £	Number of cells affected	Financial impact Increase/ (Decrease) £	Qualified in 2011/12	Qualified in 2012/13	Teachers' Pension Return ("PEN05")	11,778,576	1	418	NO	NO	National Non Domestic Rates ("NNDR")	322,197,588	-	-	NO	NO	Housing and Council Tax Benefit Subsidy ("BEN01")	169,192,583	9	See below	YES	YES	Pooling of Housing Capital Receipts ("CFB06")	6,614,756	-	-	NO	NO
Claims/returns	Value of claim £	Number of cells affected	Financial impact Increase/ (Decrease) £	Qualified in 2011/12	Qualified in 2012/13																										
Teachers' Pension Return ("PEN05")	11,778,576	1	418	NO	NO																										
National Non Domestic Rates ("NNDR")	322,197,588	-	-	NO	NO																										
Housing and Council Tax Benefit Subsidy ("BEN01")	169,192,583	9	See below	YES	YES																										
Pooling of Housing Capital Receipts ("CFB06")	6,614,756	-	-	NO	NO																										

Fees	<p>Total fees charged in respect of the work performed on the 4 claims and returns (2012: 6) certified by Deloitte were £90,200 (2012: £115,399).</p> <p>Section 4 of this report sets out the fees charged on each of the 4 claims and returns we certified.</p>
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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 2012/13 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.

We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the 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.

3. Results of our claims and returns certification work

Claims and returns certified without adjustment or a qualification letter

We were able to certify the following claim/return without adjustment or a qualification letter:

- National Non Domestic Rates (“NNDR”).
- Pooling of Housing Capital Receipts (“CFB06”).

Claims and returns certified with adjustment and without a qualification letter

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

PEN05 – Teachers’ Pension Return	
Adjustment details	<p>The total contributory salary from the local authority’s payroll and external payroll providers is £53,645,744. The total contribution paid from this was £11,778,576.</p> <p>It was noted that contributions are repaid to teachers or employers where it was found that deductions from the teacher’s salary or employer contributions remitted to TP in the prior year were overstated. A small error (£418) was noted in relation to this type of refunds. The Authority has adjusted the form with the correct treatment of the refunds balance.</p>
Deloitte response	<p>We have consulted with Teachers Pensions, who advised that the refunds line should solely reflect refunds in relation to the prior year. We have also discussed the adjustment with the Authority who agreed with our assessment. The return was amended by the Authority.</p>

3. Results of our claims and returns certification work (continued)

Claims and returns certified without adjustment and with a qualification letter

The Housing and council tax benefit subsidy ("BEN01") was certified with a qualification letter.

BEN01 – Housing and council tax benefit subsidy	
Qualification details	<p>In 2012/13 we identified errors on 8 cases (2011/12: 10 cases) in our initial testing of 80 cases. One of these errors was assessed to always result in underpaid benefit; therefore no further testing was performed in relation to this type of error.</p> <p>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. From the further testing performed (on the remaining 7 error cases) no additional issues were identified. All these error types were reported within our 2012/13 qualification letter.</p> <p>We were required to include in our qualification letter extrapolation calculations for 4 of the errors (all of the overpaid or overstated errors where we did not test 100% of the population), which compared to 4 extrapolation tables in 2011/12.</p> <p>We are also required to undertake focused testing on areas where we identified errors in the prior year (that were not deemed isolated). This resulted in us testing additional samples in 9 specific areas and this testing identified 10 further errors. We were required to include in our qualification letter 2 extrapolation calculations for these errors (all were overpaid or overstated errors where we did not test 100% of the population).</p> <p>In 2012/13 Internal Audit has again been involved in performing some elements of the certification work (with Deloitte reperforming a sample of this to ensure that we could place reliance on this work).</p> <p>The Authority has not updated the 2012/13 claim form for any of the errors we identified and we have included all error types within our qualification letter.</p> <p>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 return that would have allowed us to conclude that it was fairly stated.</p>
Deloitte response	<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 subsidy claim to be qualified. Our experience with this on other Local Authorities indicates that the types of errors we have identified are similar to those identified at other Local Authorities.</p> <p>In our return submitted to the Department of Work and Pensions we reflected the fact that the subsidy claim had not been amended and that a qualification letter had been issued.</p>

4. Certification information

Our certification work on Authority's claims and returns for the year ended 31 March 2013 is now complete and the table below summarises the results of this work and our billings by claims and returns.

From 2012/13 onwards, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work. This is based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40% reduction. This accounts for the variation in fees noted below on a year on year basis. These savings are generated from the outsourcing of the Audit Commission's in-house Audit Practice and internal efficiency savings that the Commission is passing on to audited bodies. Under our new arrangements with the Audit Commission, Deloitte's net re-imburement for external services provided remains unchanged from those previously agreed. The scale fee reductions do not therefore have an impact on our ability to continue offering a high quality service to you.

Certification instruction	Within Audit Commission framework	Claim/ return	2013 value of claim (£)	2013 results of audit work	2013 audit fee (£)	2012 audit fee (£)
PEN05	Yes	Teachers' pension return	11,778,576	Satisfactory	6,271	12,289
NNDR	Yes	National non-domestic rate return	322,197,588	Satisfactory	6,271	10,606
BEN01	Yes	Housing and council tax benefits subsidy	169,192,583	Qualified	75,396	61,776
CFB06	Yes	Pooling of Housing Capital Receipts	6,614,756	Satisfactory	2,262	7,649
No longer requiring certification in 2012/13*						23,079
TOTAL					90,200	115,399

* There were no requirements to certify HRA Subsidy ("HOU1") and Black Cultural Archives ("RG31") for year ended 31 March 2013.

5. Responsibility statement

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 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 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.

Deloitte LLP

Deloitte LLP

Chartered Accountants

St Albans

18 December 2013

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