

London Borough of Hillingdon

Report to the Audit Committee
on the year ended 31 March 2014
Certification work

Final Report

Contents

1.	Executive summary	1
2.	Introduction	2
3.	Results of our claims and returns certification work	3
4.	Certification information	6
5.	Responsibility statement	7

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 2014. 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 both claims and returns required under our contract with the Audit Commission (see Section 4 for details) for the year ended 31 March 2014. Both claims and returns we reported on were certified by the original required deadline.
--------------------------------	--

Results of our claims and returns certification work	<p>As a result of errors identified through the performance of our procedures, an adjustment was made to one of the claims/returns prior to certification. We have summarised the number of adjustments identified and our conclusion on whether our opinion was qualified in the table below. We have included additional comments below the table where we issued a qualification letter in 2013/14:</p> <table border="1"> <thead> <tr> <th>Claims/returns</th> <th>Value of claim £</th> <th>Number of adjustments made</th> <th>Financial impact Increase/ (Decrease) £</th> <th>Qualified in 2012/13</th> <th>Qualified in 2013/14</th> </tr> </thead> <tbody> <tr> <td>Pooling of Housing Capital Receipts (“CFB06”)</td> <td>£10,210,284</td> <td>-</td> <td>-</td> <td>NO</td> <td>NO</td> </tr> <tr> <td>Housing and Council Tax Benefit Subsidy (“BEN01”)</td> <td>£152,196,630</td> <td>1</td> <td>-</td> <td>YES</td> <td>YES</td> </tr> </tbody> </table> <p>Summary of qualification letters Housing and Council Tax Benefit Subsidy (“BEN01”) Our initial sample testing of 60 cases on this claim identified 4 errors. In addition, as a result of these and prior year errors, additional testing highlighted a further 4 errors. We have included details of all errors in our qualification letter. The subsidy claim was amended as a result of one of these errors. See Section 3 for more details.</p>	Claims/returns	Value of claim £	Number of adjustments made	Financial impact Increase/ (Decrease) £	Qualified in 2012/13	Qualified in 2013/14	Pooling of Housing Capital Receipts (“CFB06”)	£10,210,284	-	-	NO	NO	Housing and Council Tax Benefit Subsidy (“BEN01”)	£152,196,630	1	-	YES	YES
Claims/returns	Value of claim £	Number of adjustments made	Financial impact Increase/ (Decrease) £	Qualified in 2012/13	Qualified in 2013/14														
Pooling of Housing Capital Receipts (“CFB06”)	£10,210,284	-	-	NO	NO														
Housing and Council Tax Benefit Subsidy (“BEN01”)	£152,196,630	1	-	YES	YES														

Fees	<p>Total fees charged in respect of the work performed on the 2 claims and returns (2013: 4) certified by Deloitte LLP were £37,179 (2013: £90,200).</p> <p>Section 4 of this report sets out the fees charged on each of the 2 claims and returns we certified.</p>
-------------	--

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 2013/14 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.

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:

- Pooling of Housing Capital Receipts (CFB06)

Claims and returns certified with an adjustment and with a qualification letter

The Housing benefit subsidy ("BEN01") was certified with a qualification letter and one amendment was made.

Errors were identified on 4 cases from our initial testing of 60 across the various benefit expenditure types. Further testing was performed in response to types of error in our original sample which could result in an overpayment in subsidy to the Council. There was only one error in our original sample which fell into this category.

No further testing was required in response to the other 3 errors in our original sample. This is because the nature of the original error does not give rise to a risk that the claim is overstated..

The remaining error that resulted in an overpaid benefit was deemed to be not isolated after performing an extended 40+ sample. We noted that the same type of error had been made by the same assessing officer in the prior year. In response, we tested all cases processed by the officer across the affected cells of the claim.

One amendment was made to the claim form in relation to the overpaid benefit as the tax credit was deleted for the case. This did not affect the headline cell (cell 11), but affected cell 14 and 26.

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

BEN01 – Housing and council tax benefit subsidy	
Qualification details	<p>Rent Allowances (cell 94) Total expenditure £111,636,778</p> <p>Incorrect Processing of Earnings</p> <p>Testing of the initial sample identified 1 case where the Authority had incorrectly processed earnings, resulting in an underpayment of £55.43. As this type of error where the Authority has included too much earnings would always result in an underpaid benefit, no extended 40+ testing was performed.</p> <p>Testing of the initial sample identified 1 case where the Authority had incorrectly processed earnings, resulting in an underpayment of £62.46. As this type of error where the Authority has included too much earnings would always result in an underpaid benefit, no extended 40+ testing was performed.</p> <p>Incorrect Rent Calculation</p> <p>Testing of the initial sample identified in the same case as above that the Authority incorrectly calculated rent, resulting in an underpayment of £394.01. As this type of error where the Authority failed to input the rent increase, would always result in an underpaid benefit, no extended 40+ testing was performed. Due to our cumulative audit knowledge and knowledge of the local area we expect the rent to increase rather than decrease for a London Borough, which would always result in an underpaid benefit rather than overpayment.</p> <p>CAKE testing identified the following error in income earnings:</p> <ul style="list-style-type: none"> • 1 case where the benefit was underpaid by £11.20 because of incorrectly calculated earnings. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect the subsidy and have not been classified as errors for subsidy purposes. <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and has not, therefore, been classified as errors for subsidy purposes. Similar findings have been included in the qualification letter in the previous two years for the processing of earnings and pension contributions.</p>
	<p>Rent rebates (Cell 055) Total expenditure £34,226,151</p> <p>CAKE testing identified the following error in claimant's earnings: 1 case where the benefit was overpaid because the claimant's earnings were calculated on a monthly payslip rather than 4 weekly. The gross overpayment from the 1 overpaid case above totals £544.48. The effect of this error is to overstate Cell 61 and to understate Cell 65; there is no effect on cell 55.</p>

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

BEN01 – Housing and council tax benefit subsidy	
Qualification details (continued)	<p>Rent Rebates (cell 11) Total expenditure £6,732,031</p> <p>CAKE testing identified the following error in claimant's earnings:</p> <ul style="list-style-type: none">• 1 case where the benefit was overpaid because of an incorrect earnings calculation. This resulted in an overpaid benefit of £18.24 and a corresponding underpaid benefit of £13.43.• 1 case where the benefit was overpaid because of an incorrect earnings calculation. This resulted in an overpaid benefit of £284.39 and a corresponding underpaid benefit of £58.53. <p>The gross overpayment from the 2 overpaid cases above totals £302.63 (excluding underpaid cases). The effect of this error is to overstate Cell 14 and to understate Cell 26; there is no effect on cell 11.</p>

Since certifying the claim form we have provided management with a summary of the errors found to allow early planning for next year's testing.

We do not have any specific control recommendations as a result of the work performed for the 2013/14 claim.

4. Certification information

Our certification work on Authority's claims and returns for the year ended 31 March 2014 is now complete and the table below summarises the results of this work and our fees 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

Certification instruction	Within Audit Commission framework	Claim/ return	2014 value of claim (£)	2014 results of certification work	2014 audit fee (£)	2013 audit fee (£)
BEN01	Yes	Housing and council tax benefits subsidy	152,196,630	Qualified	32,593	75,397
CFB06	Yes	Housing Capital Receipts	10,210,284	No adjustment or qualification	4,586	2,262
LA01	No	National non-domestic rate return	N/A	N/A	N/A	6,271
PEN05	No	Teachers' pension return	N/A	N/A	N/A	6,270
TOTAL					37,179	90,200

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

27 February 2015

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2015 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Member of Deloitte Touche Tohmatsu Limited