

London Borough of Hillingdon

Report to the Audit Committee
on the year ended 31 March 2015
Certification work

Final Report

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1. Executive summary

Certification of Claims & Returns 2014/15

We have pleasure in setting out in this document our report to the Audit Committee of the London Borough of Hillingdon (“the Authority”) on our certification work for the year ended 31 March 2015. This report summarises the principal matters that have arisen from our work. It is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention.

This year only the Housing Benefit Subsidy claim required certification as part of our contract with Public Sector Audit Appointments (PSAA) (previously the Audit Commission).

Additionally, we have certified returns relating to Teachers’ Pension Contributions and Pooling of Capital Receipts. These returns fall outside the PSAA certification regime, but we have included information on these returns in this Letter in order to give you a complete picture of our work on grants and returns in 2014/15.

The Housing Benefit Subsidy claim testing revealed errors of both underpayment and overpayment of benefits. The individual errors ranged from £0.24 to £615.60 and error rates ranged from 0% to 0.8%. A qualification letter was submitted to the Department for Work and Pensions setting out the errors found.

Given the nature of the benefits system, with a high volume of low value transactions, there will always be an element of human error. More detail on our testing and the errors noted can be found in Section 4.

With respect to testing on the Teachers’ Pensions Contributions and Pooling of Capital Receipts returns, there have been no amendments and we have not issued a qualification letter.

2. Grant claims and returns certified in 2014/15

The following claims and returns have been certified and delivered to the appropriate authority in relation to 2014/15:

PSAA grant claims and returns

Claim or return	Value of claim/ Return	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Housing Benefit	£150,724,555	05/11/2015	30/11/2015	No	Yes

Non-PSAA grant claims and returns

Claim or return	Value of claim/ Return	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Capital Receipts	£19,580,098	Not Certified*	30/11/2015	No	No
Teachers' Pensions (total contributions deducted)	£10,718,321	02/11/2015	30/11/2015	No	No

*We have completed our procedures around the certification of the pooling of capital receipts return. However, due to an ongoing system wide issue with the certification system, LOGASnet, we have been unable to certify. This issue is affecting all authorities. DCLG are aware and their certification deadline will be updated once the issue with the system is resolved.

3. Adjustments and qualification letters issued

Adjustments

No adjustments were made on any claims or returns we have certified.

Qualification letters issued

A qualification letter was issued this year in relation to the Housing Benefit grant – see Section 4 for details of the issues noted within the Housing Benefit Subsidy claim.

No qualification letters were issued in respect to other grant claims or returns.

4. Commentary on Housing Benefit claim

Certification approach

- Certification instruction BEN01, issued by Public Sector Audit Appointments (PSAA), was followed in accordance with the HBCOUNT 2015 instructions. This is a modular approach consisting of six separate testing elements.
- The system parameters (i.e. this year's benefit rates and allowances) were agreed to those in use at the Authority and a review of the Northgate software controls was performed.
- Electronic workbooks supplied by PSAA were used to test a sample of 20 cases for each of the three benefit types (HRA rent rebates, non-HRA rent rebates and rent allowances) for the Authority.
- This year we selected 60 cases and the initial testing was completed by the Authority's Internal Audit department with a selection re-performed by Deloitte.
- Testing was performed on those areas where errors were identified in the prior year, with a sample of 40 cases selected for each area. This testing is called Cumulative Audit Knowledge and Experience (CAKE) testing.
- Where non-isolated errors were identified in the current year that could give rise to an overpayment of benefit an additional 40 samples were selected for testing.

Non-HRA Rent Rebates

Testing of the initial 20 cases identified two cases that failed testing:

- One case whereby an element of the claim had been incorrectly classified as backdated expenditure; and
- One case whereby LA delay overpayments had been incorrectly classified as eligible overpayments.

Testing of an additional 40 cases for these two error types identified the following:

- Five cases where an element of the claim had been incorrectly classified as backdated expenditure; and
- No further cases whereby LA delay overpayments had been incorrectly classified as eligible overpayments.

CAKE testing was conducted as a result of prior year errors. In one area, further errors were noted in 2014/15:

- Assessment of earned income – testing identified one case where benefit had been overpaid and one where benefit had been underpaid due to miscalculating the claimant's earned income.

As backdated expenditure is an information only classification there is no effect on subsidy claimed.

The misclassification of eligible overpayments leads to an extrapolated error of **£763**.

The miscalculation of earned income leads to an extrapolated error of **£16**.

Rent Rebates

Testing of the initial 20 cases identified one case that failed testing:

- One case where earnings were miscalculated leading to the underpayment of benefit.

There was a prior year qualification in relation to miscalculation of earnings, so CAKE testing was conducted. No further errors were identified.

The miscalculation of earnings identified resulted in an underpayment of **£616**. As no subsidy is payable on benefit that has not been claimed, per HBCOUNT guidance no extrapolation is required.

Rent Allowances

Testing of the initial 20 cases identified two cases that failed testing:

- One case where earned income had been miscalculated; and
- One case where eligible rent had been miscalculated.

Testing of an additional 40 cases for these two error types identified the following:

- Five further cases where earned income had been miscalculated; and
- No further cases where eligible rent had been miscalculated.

The miscalculation of earned income leads to an extrapolated error of **£11,942**.

The miscalculation of eligible rent leads to an extrapolated error of **£1,127**.

5. Commentary on non-PSAA returns

We have performed work certifying the Authority's returns to Teachers' Pensions in respect of contributions to teachers' pensions and the return to the Department for Communities and Local Government in respect of capital receipts subject to pooling arrangements.

Teachers' Pensions

The teachers' pensions return has been certified in line with certification instruction TP05 issued by Teachers' Pensions.

We noted no errors. The return was certified without amendment and without qualification.

Capital Receipts

The capital receipts return has been tested in line with certification instruction CFB06 issued by the Department for Communities and Local Government.

We noted no errors. There is currently an ongoing system wide issue with the certification system, LOGASnet, meaning we have been unable to certify. This issue is affecting all authorities. DCLG are aware and their certification deadline will be updated once the issue with the system is resolved.

We intend to certify the return without amendment and without qualification.

6. Responsibility statement

The Statement of Responsibilities of grant-paying bodies, authorities, PSAA and appointed auditors in relation to claims and returns, issued by the PSAA, 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

Chartered Accountants

St Albans

3 December 2015

7. Analysis of certification fees

Claim or return	2015 £	2014 £
PSAA claim or return		
Housing Benefit Subsidy	38,300	32,593
Non-PSAA claim or return		
Teachers' Pensions Contributions	8,500	8,100
Pooling of Housing Capital Receipts	4,675	4,586
	51,475	45,279

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