

London Borough of Hillingdon

Report to the Audit Committee on the 2009
Grant Certifications

Draft Report

23 February 2010

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Executive Summary

We have pleasure in setting out in this document our report to the Audit Committee of the London Borough of Hillingdon on the key findings from our grant work for the year ended 31 March 2009. This report is not intended to be exhaustive but highlights the most significant matters that have come to our attention.

Certification Deadlines

All of the grants we reported on for the year ended 31 March 2009 were certified by the required deadline.

Amended / Qualified Grant Claims

As a result of errors identified through the performance of our procedures, adjustments were made to five grant claims prior to certification; of these adjustments, only one was greater than £10,000.

In addition to the adjustments noted above a qualification letter was issued in respect of one grant claim.

See Section 2 for more details.

Certification Fees

Total fees charged in respect of the work performed on the twelve grants certified by Deloitte were £136,768. Section 3 of this report sets out the fees charged on each of the twelve grants we certified.

Other Issues

After certification of the HOU02 claim, an error relating to the interpretation of the relevant regulations was brought to our attention by the Authority. We have now re-certified the HOU02 claim form in line with the deadline agreed between the Authority and the Department for Communities and Local Government (“DCLG”); we have discussed this issue in more detail in Section 4.

1. Introduction

Purpose of this report

In September 2009 the Audit Commission published a report 'Review of Arrangements for Certifying Claims and Returns'. One of the recommendations that came out of the study was that auditors should report annually on the results of the certification work to those charged with governance, and to Audit Committee, in order to highlight the errors, adjustments and qualifications arising in claims and returns.

This letter is addressed to the Audit Committee of the London Borough of Hillingdon ("the Authority") and is intended to communicate key matters from our 2008/09 grant certification work in response to the recommendation.

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 Central Government 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.

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.

Provided at Appendix 1 is details of the claims and the returns certified by Deloitte.

2. Amended/Qualified Grant Claims

As a result of errors identified through the performance of procedures agreed between the Audit Commission and the grant paying body, adjustments were made to five grant claims prior to certification (Appendix 1); of these adjustments only one represented an amount greater than £10,000, the details of which have been included below. In addition a further adjustment was needed to the HOU02 claim to correct an error which was brought to our attention by the Authority post certification. The value of this error was above £10,000; we have discussed this claim in more detail in Section 4.

LA01 National non-domestic rates return (Appendix 1)

Adjustment Details

Our testing of the National non-domestic rates (“NNDR”) return for the year ended 31 March 2009 identified a prior year charitable occupation relief of £81,538 which had been incorrectly entered on the 2008 claim form in Part II section 6. In order to make the 2008 claim form ‘balance’, this value was then manually taken off the Part I line 1 value for ‘gross amount payable’.

From discussion with the Authority we understand that this error was noted by the prior year auditors and Part II section 6 of the 2008 form was corrected. However, the corresponding error in the gross amount payable was not identified and was not corrected. The effect of this was that the net contribution to the pool increased by £81,538 and this amount was over paid to the central pool in 2008/09. Subsequently, this error was identified by the Authority and they have amended their 2009 claim form to account for this.

Deloitte response

We have reviewed the prior year ‘incorrect’ claim and certified claim in order to trace and identify the issue; we have reconciled the prior year claim to underlying records generated by the NNDR system and have traced payment of the £81,538 to supporting documentation; finally we reviewed correspondence from the prior year auditors on the issue. Our testing demonstrated that the £81,538 had been over paid in the prior year; this adjustment was not included on the original 2009 claim form provided to us but was correctly adjusted on the amended 2009 claim return through Part II line 2 ‘net amounts in respect of previous years’.

2. Amended/Qualified Grant Claims (Continued)

In addition to the adjustments noted above a qualification letter was issued in respect of one grant claim, the details of which have been included in the table below.

BEN01 – Housing and Council Tax Benefits Scheme

Qualification Details

Our testing of the Housing and Council Tax Benefits Scheme grant for the year ended 31st March 2009 identified two errors for which it was not possible to agree an amendment with the Authority which would result in a grant claim that was fairly stated. As a result a qualification letter was issued highlighting the following issues to the grant paying body in accordance with the grant certification instructions:

- 1) A modified scheme is one where the Authority can choose to disregard certain income (such as war widows' pensions) when calculating a claimants entitlement to benefit. As part of our testing of modified schemes we identified an error of £224.91 in relation to one claim. We discussed this with Officers but they decided not to adjust the claim. We understand that the reason for this was that there was no impact on the benefit granted by the Authority to the claimant and the Authority did not think they could produce adequate support for the proposed adjusted figure.

There were a total of ten claims with similar circumstances; the other nine claims were investigated by the Authority with a sample re-performed by Deloitte. No further issues were identified.

2. Amended/Qualified Grant Claims (Continued)

BEN01 – Housing and Council Tax Benefits Scheme (continued)

Qualification Details

- 2) Our testing identified a small error in the current year rent allowances eligible overpayment figure, with a corresponding equal and opposite error in the prior year eligible overpayment figure. Investigation of this error identified that it is caused by a problem with the Authority's Northgate system parameters for rent allowance overpayment dates. As it is a system issue, it affects all the claims within the related cells for the period of issue and it has not been possible to accurately determine an adjustment. Northgate are aware of this issue and we understand that it should be resolved before the 2009/10 subsidy claim is completed. While there is no impact on the claim amount overall, we were unable to conclude that the claim was fairly stated in this respect.

We would like to mention that London Borough of Hillingdon's 2008/09 BEN01 claim was certified with many fewer qualifications than in the prior year.

3. Certification Fees

Our work on the London Borough of Hillingdon grants for the year ended 31 March 2009 is now complete and the table below summarises our billings by grant claim:

Certification Instruction	Claim / Return	Audit fee (£)
BEN01	Housing and Council Tax Benefits Scheme	55,000
CFB06	Pooling of housing capital receipts	3,690
EYC02	Sure start, early years and childcare	5,325
HOU1	HRA Subsidy	13,500
HOU02	HRA Subsidy Base Data Return	18,400
LA01	NNDR Return	13,788
PEN05	Teachers' Pension Return	6,000
RG31	Single programme LDA – four claims	11,700
HOU21	Disabled Facilities	9,365
TOTAL AUDIT FEE		<u>136,768</u>

4. Other issues

HOU02 Re-certification

Background

We initially certified the HOU02 'HRA subsidy base data return' grant claim on 8 October 2009 in accordance with the agreed deadline set by the Audit Commission. Subsequent to our certification we were contacted by the Housing Finance Officer ("HFO") from the Authority on 17 December 2009. It was explained that an error had been noted in 2009/10 and 2010/11 returns (certified in 2007/08 and 2008/09 respectively).

The issue identified related to the fact that the Authority, along with other Authorities, had applied the same meaning of 'qualifying disposals' to the CFB06 'pooling of housing capital receipts' and the HOU02 'HRA subsidy base data return' claim forms. As such, the qualifying disposals from the pooling claim (£992,126 in 2008/09) was used on the HOU02 claim form. However, the HFO's recent attendance at a Housing Finance Conference identified that there is a different definition of qualifying disposals for pooling of housing capital receipts and HRA subsidy base data and this is the reason that the adjustment was required.

We understand that DCLG are unable to re-open the 2007/08 claim form (which was certified by the Audit Commission). We understand that the Council have been considering seeking an amendment to that year's subsidy through Special Determination from DCLG.

Deloitte response

DCLG re-opened the 2008/09 claim form and the Authority amended the necessary cell from the original certified £992,126 to £nil.

We reviewed the technical guidance around this issue and agreed with the Authority's assessment of the error regarding the definition of a qualifying disposal. We reviewed the disposals that had previously been included in the £992,126 and confirmed that these were not qualifying disposals under the definition required for the HRA subsidy base data return. As a result of this work we agreed with the Authority's assessment that an adjustment was required to the claim form replacing the £992,126 with £nil. We re-certified the amended HOU02 claim form on the 13 January 2010.

5. Responsibility statement

This letter has been discussed and agreed with the Chief Executive and Director of Finance of the Council. A copy of the letter will be presented at the Audit Committee on 11 March 2010.

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 Council's own agenda. We recognise the value of your cooperation and support.

Deloitte LLP

Chartered Accountants
23 February 2010

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.

Appendix 1: Summary of Grant Claims

The following table represents a summary of grant claims or returns certified as part of our testing procedures.

Certification Instruction	Claim / Return	Value of Grant (£)	Auditor Deadline	Date Certified by Auditor	Subject to Amendment?	Subject to Qualification?
BEN01	Housing and Council Tax Benefits Scheme	130,040,109	30/11/2009	30/11/2009	Yes	Yes
CFB06	Pooling of housing capital receipts	906,910.60	30/09/2009	28/09/2009	Yes	No
EYC02	Sure start, early years and childcare	7,088,595	31/10/2009	29/10/2009	No	No
HOU01	HRA Subsidy	10,433,763	31/12/2009	21/12/2009	Yes	No
HOU02	HRA Subsidy Base Data Return (original claim)	N/A	09/10/2009	08/10/2009	Yes	No
	HRA Subsidy Base Data Return (re-certified claim)	N/A	18/01/2010	13/01/2010	No	No
LA01	National non-domestic rates return	286,052,045.82	25/09/2009	24/09/2009	Yes	No
PEN05	Teachers' pensions return	17,455,719.83	30/11/2009	30/11/2009	No	No
RG31	Single programme, Childcare affordability programme phase 1	201,875	31/07/2009	22/07/2009	No	No
RG31	Single programme, Hillingdon LIDO/Hillingdon Sports & Leisure Centre	1,438,626	31/07/2009	22/07/2009	No	No
RG31	Single programme, Workmates – West London Working Personal Advice and Outreach	110,000	31/07/2009	22/07/2009	No	No
RG31	Single programme, London Youth Offer	219,260	31/07/2009	22/07/2009	No	No
HOU21	Disabled Facilities	1,900,000	31/10/2009	26/10/2009	No	No



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