

London Borough of Harrow

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 Harrow ("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.
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Results of our claims and returns certification work	<p>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 a qualification letter in 2013/14:</p> <table border="1"> <thead> <tr> <th style="background-color: #003366; color: white;">Claims/returns</th> <th style="background-color: #003366; color: white;">Value of claim £</th> <th style="background-color: #003366; color: white;">Number of cells adjusted</th> <th style="background-color: #003366; color: white;">Financial impact Increase/ (Decrease) £</th> <th style="background-color: #003366; color: white;">Qualified in 2013/14</th> <th style="background-color: #003366; color: white;">Qualified in 2012/13</th> </tr> </thead> <tbody> <tr> <td>Pooling of Housing Capital Receipts ("CFB06")</td> <td style="text-align: right;">£4,278,728</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">NO</td> <td style="text-align: center;">NO</td> </tr> <tr> <td>Housing and Council Tax Benefit Subsidy ("BEN01")</td> <td style="text-align: right;">£146,208,266</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">YES</td> <td style="text-align: center;">YES</td> </tr> </tbody> </table> <p>Summary of qualification letters <i>Housing and Council Tax Benefit Subsidy ("BEN01")</i> 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 of 120 cases highlighted 10 errors. We have included details of all errors in our qualification letter. The subsidy claim was not amended for these errors. See Section 3 for more details.</p>	Claims/returns	Value of claim £	Number of cells adjusted	Financial impact Increase/ (Decrease) £	Qualified in 2013/14	Qualified in 2012/13	Pooling of Housing Capital Receipts ("CFB06")	£4,278,728	-	-	NO	NO	Housing and Council Tax Benefit Subsidy ("BEN01")	£146,208,266	-	-	YES	YES
Claims/returns	Value of claim £	Number of cells adjusted	Financial impact Increase/ (Decrease) £	Qualified in 2013/14	Qualified in 2012/13														
Pooling of Housing Capital Receipts ("CFB06")	£4,278,728	-	-	NO	NO														
Housing and Council Tax Benefit Subsidy ("BEN01")	£146,208,266	-	-	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 £40,260 (2013: £42,700).</p> <p>Section 4 of this report sets out the fees charged on each of the 2 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 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 without adjustment but with a qualification letter

The Housing benefit subsidy ("BEN01") was certified with a qualification letter but was not subject to amendment.

In 2013/14 we identified 30 errors on 14 cases (2012/13: 15 cases). We were able to group similar errors types together across the 14 cases to give a total of 2 different error types: incorrectly classified expenditure and overpaid benefit. Both of these errors resulted in an overstatement of an individual's benefit entitlement or subsidy or both.

We identified 4 errors in our initial testing and hence in 2013/14 we were required to undertake prescriptive additional testing of 120 cases.

As a result of errors noted in the prior year, additional testing of 120 cases was performed. Testing of the additional cases was undertaken by the Authority and reviewed by us. We were not able to conclude that the errors identified in this work were isolated and hence we could not conclude that the claim was fairly stated. Accordingly, we were required to include in our qualification letter extrapolation calculations for the remaining unadjusted errors (all of the overpaid or overstated errors where we did not test 100% of the population).

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 subsidy claim that would have allowed us to conclude that it was fairly stated. We have set out a summary of our findings in the table overleaf:

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 £124,007,059</p> <p>There was a prior year qualification within this cell or other related cells, therefore the authority was required to complete testing in line with Cumulative Audit Knowledge and Experience (CAKE) guidance. This testing identified 10 errors within the claim. Testing of the initial sample identified no errors. The following errors were identified:</p> <ul style="list-style-type: none"> • No cases within our initial sample and 5 within CAKE testing had underpaid benefit as a result of miscalculating the claimant's weekly income. • No cases within our initial sample and 5 cases within CAKE testing had overpaid benefit as a result of miscalculating the claimant's weekly income.
	<p>Rent rebates (cell 055) Total expenditure £18,750,580</p> <p>There was a prior year qualification within this cell or other related cells, therefore the authority was required to complete testing in line with Cumulative Audit Knowledge and Experience (CAKE) guidance. This testing identified 6 errors within the claim. Testing of the initial sample identified 1 error, with a further 6 errors identified as part of the following extended 40+ sample.</p> <p>The following errors were identified:</p> <ul style="list-style-type: none"> • 1 case within the initial testing had overpaid benefit as a result of miscalculating the claimant's private pension • 3 cases within CAKE testing had underpaid benefit as a result of miscalculating the claimant's earned income. • 3 cases within CAKE testing had overpaid benefit as a result of miscalculating the claimant's earned income. <p>The 6 errors noted on CAKE testing are broken down in to further detail as follows:</p> <ul style="list-style-type: none"> • 5 cases within the 40+ extended sample had underpaid benefit as a result of miscalculating the claimant's private pension • 1 case within the 40+ extended sample had overpaid benefit as a result of miscalculating the claimant's private pension

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

BEN01 – Housing and council tax benefit subsidy	
Qualification details (continued)	Rent Rebates (cell 11) Total expenditure £3,614,274 Testing of the initial sample identified 2 errors, with a further 4 errors identified as part of the following extended 40+ sample. The following errors were identified: <ul style="list-style-type: none">• 2 cases from the initial sample where Local Authority (LA) delay overpayments had been incorrectly classified as eligible overpayments• 4 cases from the extended 40+ sample where LA delay overpayments had been incorrectly classified as eligible overpayments

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 audit work	2014 audit fee (£)	2013 audit fee (£)
BEN01	Yes	Housing and council tax benefits subsidy	146,208,266	Qualified	36,980	30,944
CFB06	Yes	Housing Capital Receipts	4,278,728	Satisfactory	3,280	3,278
LA01	No	National non-domestic rate return	N/A	N/A	N/A	5,827
PEN05	No	Teachers' pension return	N/A	N/A	N/A	2,651
TOTAL					40,260	42,270

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

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