

London Borough of Harrow

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 Harrow (“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 £184.88 to £4,042.71 and error rates ranged from 0.1% to 18.9%. 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	£147,645,680	28/10/2015	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	£5,094,743	11/01/2016	30/11/2015*	No	No
Teachers' Pensions (total contributions deducted)	£10,069,554	02/11/2015	30/11/2015	No	No

*Despite the audit work being completed prior to the deadline, due to a system wide issue with the certification system, LOGASnet, which affected all authorities, we were unable to certify until 11/01/2016. DCLG have stated that authorities will not be penalised for late submission due to this issue.

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 guide and document our testing of 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.
- 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 did not identify any errors.

CAKE testing was conducted as a result of prior year errors. This involved selecting 40 samples from a sub-population consisting of those claims with eligible overpayments, and testing the classification of the overpayment. This testing identified 6 cases from the CAKE testing where overpayments resulting from Local Authority delays had been incorrectly classified as eligible overpayments.

Whilst these errors do not affect actual expenditure, they can potentially affect the amount of subsidy claimed. The extrapolated error would remain below the Lower Threshold and as such any amounts reclassified would attract full subsidy as opposed to 40% subsidy. This would result in an increase in subsidy claimed.

The effect of these errors is to overstate cell 28 by £3,680.79 and understate cell 26 by £3,680.79. The range of errors found is £0.81 – £3,679.20 and the benefit period is 1-10 weeks. Similar findings were included in the 2013/14 qualification letter.

Rent Rebates

Testing of the initial 20 cases identified no errors within the claim.

There was a prior year qualification within cell 55 or other related cells, therefore the authority was required to complete CAKE testing. This involved selecting 40 samples from a sub-population consisting of those claims with earned income or a private pension, and testing the earned income or private pension elements. This testing identified 8 errors within the claim. 5 cases relate to underpaid benefit as a result of miscalculating the claimant's earned income or private pension and 3 cases relate to overpaid benefit.

As there is no eligibility to subsidy for benefit which has not been paid, the 5 underpayments do not affect subsidy. The effect of the 3 overpayments is to overstate cell 61 by £184.88 with corresponding understatement in cell 65 of £184.88. The range of error found is £0.02 - £152.24 and the benefit period range is 2-44 weeks. Similar findings were included in the 2012/13 and 2013/14 qualification letter.

Rent Allowances

Testing of the initial sample identified 1 error whereby benefit had been underpaid as a result of miscalculating the relevant Local Housing Allowance (LHA) rate.

An additional 40 samples were selected for testing from Cell 103 resulting in the identification of a further 2 errors, one of which related to underpaid benefit as a result of miscalculating the LHA rate and the other related to overpaid benefit.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment does not affect subsidy, however, the result of the overpayment was to overstate cell 103 by £430.51 and understate 113 by £430.51. No similar findings were included in previous qualification letters.

There was a prior year qualification within this cell or other related cells, therefore the authority was required to complete CAKE testing. This testing identified no errors within the claim.

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. The return was certified 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.

A handwritten signature in cursive script that reads "Deloitte LLP".

Deloitte LLP

Chartered Accountants

St Albans

27 January 2016

7. Analysis of certification fees

Claim or return	2015 £	2014 £
PSAA claim or return		
Housing Benefit Subsidy	27,230	36,980
Non-PSAA claim or return		
Teachers' Pensions Contributions	4,500	4,000
Pooling of Housing Capital Receipts	3,350	3,280
Total	35,080	44,260

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