
London Borough of Harrow

Report to the Governance, Audit & Risk
Management Committee on the 2009 Grant
Certifications

Final Report

29 March 2010

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Executive Summary

We have pleasure in setting out in this document our report to the Governance, Audit & Risk Management Committee of the London Borough of Harrow on the key findings from our grant audit certification 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.

Scope of Work

We have completed our audit work certifying specified grant claims and returns prepared by the Council. We undertake this work as agents for the Audit Commission who provide instructions to us as to the scope and approach of the audit work required.

Certification Deadlines

We have certified nine grant claims for the 2008/09 year, seven of these grant claims were certified within the specified deadline. We have set out comments in relation to those grants which were not certified prior to the grant paying body deadline in Section 2.

Amended / Qualified Grant Claims

In total we were required to audit nine grant claims and returns. Of these, we provided unqualified audit opinions on eight grant claims. As a result of errors identified through the performance of our procedures, adjustments were made to four grant claims prior to certification; of these adjustments none were greater than £10,000. This reflects a significant improvement on the previous year when two of the claims required adjustments greater than £10,000.

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

See Section 3 for more details.

Certification Fees

Total fees charged in respect of the work performed on the nine grants certified by Deloitte were £106,200. Section 4 of this report sets out the fees charged on each of the nine grants we certified.

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. This will cover the Council's performance in the preparation and reporting of grant claims and returns including any errors, adjustments and qualifications arising in claims and returns. This letter is addressed to the Governance, Audit & Risk Management Committee of the London Borough of Harrow ("the Council") 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

We 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 council's entitlement to income under it.

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

2. Certification Deadlines

Certification deadlines are set out by grant paying bodies and represent the date by which we are required to certify the grant claim or return. Any failure to meet the specified deadline can have implications for the Council as it could lead to delay in any residual grant payments being received from the grant paying body. Set out below is an explanation for each grant claim for which the certification deadline was not met and suggestions as to how this could be avoided in future periods.

RG31 – Harrow Youth Offer (Appendix 1)

Value of claim: £109,428

Explanation

We were only made aware of the existence of this grant claim at London Borough of Harrow on 2 September 2009 meaning that certification did not take place until 17 September 2009. As a result of the delay in notification the audit certification deadline of 31 July 2009 was not met for this grant.

Deloitte Response

In order to avoid any delays in certification the Council should ensure that we are informed of all grant claims and provided with the necessary documents in a timely fashion. The Audit Commission provide details of all claims requiring certification each year which the Council should evidence it reviews.

EYC02 – Sure Start, Early Years and Childcare (Appendix 1)

Value of claim: £4,971,484

Explanation

As a result of issues identified during the certification process an extension was obtained from the grant paying body to give time to resolve the outstanding matters. The grant was certified on 21 December 2009, in line with the extension obtained.

Deloitte Response

The Council has made significant improvements in the preparation of this grant claim. We note that the 2007/08 claim was not certified until 25 September 2009, the initial deadline for this was 31 October 2008. This is a complex claim and we commend the council with the way in which they dealt with this.

3. Amended/Qualified Grant Claims

As a result of the audit, adjustments were made to three grant claims prior to certification; however all such adjustments represent amounts less than £10,000 and do not suggest significant weaknesses in the procedures surrounding the preparation of these grant claims or returns.

In addition to the adjustments noted above a qualification letter was issued in respect of one grant claim, BEN01 - Housing and Council Tax Benefits, the details of which have been included in the table below.

BEN01 – Housing and Council Tax Benefits Scheme (Appendix 1)
Value of claim: £112,722,111

Qualification Details

Our testing of the Housing and Council Tax Benefits Scheme grant for the year ended 31 March 2009 identified several errors for which it was not possible to agree an amendment with the Council 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:

- Cut-off Error
 - The current year testing identified a cut-off error whereby benefit payments made post 31 March 2009 were included in the 2008/09 grant claim. The payments totalled approximately £6,000,000 and the error was the result of an incorrect interpretation of the grant compilation guidance which required the grant to be prepared on a cash basis. Given the complexity of establishing the required amendment to each cell on the claim form no adjustment was made for this error and as a result the matter was highlighted to the Department for Work and Pensions in a qualification letter.
- Assessor Errors
 - The testing of an initial sample of 80 benefit claims identified a number of cases whereby an error had been made by the benefit assessor meaning the claimants were paid either more or less benefit than they were entitled to, or the expenditure was incorrect coded for subsidy purposes. Given the variability in the nature and timing of the errors it was not possible to conclude that the errors were isolated, nor was it possible to agree an amendment with the Council that would result in a claim form that was fairly stated; as a result in accordance with the testing guidance the details of the identified errors including any additional work undertaken by the council were included in a qualification letter.
- Deloitte response
 - Cut-off Error
 - We understand that the necessary steps are to be taken for the compilation of the 2009/10 grant claim to ensure that only eligible payments are included in the grant claim. Further consideration may also want to be given by the Council as to

3. Amended/Qualified Grant Claims (Continued)

BEN01 – Housing and Council Tax Benefits Scheme (Appendix 1)

Value of claim: £112,722,111

Deloitte response

the timing of future benefits payments around year-end to ensure reimbursement from the Department of Work and Pensions is received at the earliest opportunity.

- Assessor Errors
 - The revised testing approach introduced by the Audit Commission in 2008 has led to more rigorous testing of the Housing and Council Tax Benefits Scheme grant meaning the identification of errors is not uncommon. It is not therefore necessarily an indication of a deterioration on the part of the housing benefits team, though we would advocate focus is given to ensuring such errors do not recur in future years.

4. Certification Fees

Our work on the London Borough of Harrow 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 | 48,675 |
| CFB06 | Pooling of housing capital receipts | 4,425 |
| EYC02 | Sure start, early years and childcare | 6,195 |
| HOU1 | HRA Subsidy | 4,425 |
| HOU02 | HRA Subsidy Base Data Return | 7,080 |
| HOU21 | Disabled Facilities | 7,965 |
| LA01 | NNDR Return | 8,850 |
| PEN05 | Teachers' Pension Return | 4,425 |
| RG31 | Single programme LDA: Mayor Youth Offer | 1,770 |
| General / Admin costs incurred | | 12,390 |
| TOTAL AUDIT FEE | | <u>106,200</u> |

5. Responsibility statement

This letter was provided to the Council on 26 February 2010 and the wording agreed by the Director of Finance on 4 March 2010. A copy of the letter will be presented at the Governance, Audit & Risk Management Committee at the earliest opportunity.

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

Deloitte LLP

Chartered Accountants

29 March 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 | £ 2,884,551 | 30/11/2009 | 26/11/2009 | Yes | Yes |
| CFB06 | Pooling of housing capital receipts | £464,450 | 30/09/2009 | 28/09/2009 | Yes | No |
| EYC02 | Sure start, early years and childcare | £4,971,484 | 31/10/2009 | 21/12/2009 | Yes | No |
| HOU1 | HRA Subsidy | £6,732,422 | 31/12/2009 | 21/12/2009 | No | No |
| HOU2 | HRA Subsidy Base Data Return | N/A | 09/10/2009 | 09/10/2009 | Yes | No |
| HOU21 | Disabled Facilities | £540,000 | 31/10/2009 | 30/10/2009 | No | No |
| LA01 | National non-domestic rates return | £45,347,659 | 25/09/2009 | 25/09/2009 | No | No |
| PEN05 | Teachers' pensions return | £12,780,370 | 25/12/2009 | 25/11/2009 | Yes | No |
| RG31 | Harrow Youth Offer | £109,428 | 31/07/2009 | 17/09/2009 | No | No |



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