

**Deloitte.**

London Borough of Harrow

Certification of claims and returns 2009/10

15 March 2011 [Final]

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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 2010. This report is not intended to be exhaustive but highlights the most significant matters that have come to our attention.



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.



We are pleased to report that all the audited returns were completed and submitted by the relevant deadline. We have certified eight grant claims for the 2009/10 year, all of these grant claims were submitted to us by the Council within the specified deadline.



In total we were required to audit eight grant claims and returns. Of these, we provided unqualified audit opinions on six grant claims. As a result of errors identified through the performance of our procedures, adjustments were made to two grant claims prior to certification; both of which were greater than £10,000. Last year two grant claims required adjustments of less than £10,000.

In addition to the adjustments noted above qualification letters were issued in respect of two grant claims, compared to one in the prior year.

See Section 3 for more details.



Total fees charged in respect of the work performed on the eight grants certified by Deloitte were £110,625. Section 4 of this report sets out the fees charged on each of the eight grants we certified.

# 1. Introduction

## **Purpose of this report**

This report intends to draw the attention of those charged with governance on the results of the certification work carried out by the Council as recommended in the Audit Commission report, 'Review of Arrangements for Certifying Claims and Returns' published in September 2009. 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.

## **Our responsibilities**

Under Section 28 of the Audit Commission Act 1998, the Audit 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. Preparation and certification Deadlines

Certification deadlines are set out by grant paying bodies. These represent the date by which the authority is required to prepare the claim and submit it for audit and a second date by when we are required to certify the grant claim or return. Any failure to meet the specified audit certification deadline can have implications for the local authority as it could lead to delay in any residual grant payments being received from the grant paying body. We are pleased to report that all claims and returns have been submitted by the authority on time, and certified and delivered by us to the appropriate authorities within the relevant deadlines. This is significant improvement to the previous year and reflects excellent management from those involved.

### 3. Amended/Qualified Grant Claims

As a result of errors identified from our test procedures, adjustments were made to two grant claims prior to certification (Appendix 1); these adjustments represented an amount greater than £10,000, the details of which have been included below.



#### Adjustment Details

Our testing of the Housing and Council Tax Benefits Scheme grant for the year ended 31 March 2010 identified that the manual adjustment for Non HRA Rent Rebate were calculated wrongly.

#### Deloitte response

The error identified above resulted in overstatement in cell 20 and understatement in cell 23. Due to the specific nature of the error, the initial testing of the 80 cases for the four types of benefits did not find other errors of this kind. Furthermore, the testing performed under Test 4 – Reconciliation of claim to underlying reports was found to be satisfactory. As a result, this error has been treated as isolated in accordance with Audit Commission guidance.



#### Adjustment Details

A number of adjustments were made on the claim form as a result of incorrect data being used for gross rent calculation, number of void properties and weekly rent calculation.

#### Deloitte response

The errors identified above reflect the weakness in the system of capturing and extracting the required data from the system and handling of the data for claim preparation purposes.

In addition to the adjustments noted above, qualification letters were issued in respect of the grant claims included in the table below.

### 3. Amended/Qualified Grant Claims (Continued)

As a result of errors identified from our test procedures, adjustments were made to two grant claims prior to certification (Appendix 1); these adjustments represented an amount greater than £10,000, the details of which have been included below.



#### Qualification Details

Our testing of the Housing and Council Tax Benefits Scheme grant for the year ended 31 March 2010 identified several errors, some of them were agreed and adjusted. However, it was not possible to agree all amendments 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:

- Assessor Errors
  - As part of our testing of claimant benefit entitlement we noted several cases for which the wrong income had been used to calculate entitlement for all four types of benefits. As a result, claimants were either paid more or less than they were entitled to. Given the varied nature of the errors and the fact that they were not to be isolated cases it was not possible to agree an amendment with the authority and as a result the details of the errors were included in a qualification letter.
- Incorrect Subsidy Classification
  - Our testing identified a number of instances for which benefit entitlement had been incorrectly coded for subsidy purposes, in particular relating to the classification of Rent Rebate and temporary accommodation (Non-HRA) tenure types. Given the varied nature of the errors and the fact that they were not considered to be isolated cases it was not possible to agree an amendment with the authority and as a result the details of the errors were included in a qualification letter.

#### Deloitte response

Given the nature and size of the Housing and Council Tax Benefits Scheme, and the number of housing benefit claims processed in the period, assessor errors are not unexpected. However, both income assessment and subsidy classification errors are avoidable through careful system input. As such, we would suggest that the importance of accurate data input is emphasised to housing benefit assessors in addition to the importance of correct coding for subsidy purposes in order to minimise errors in future periods. Regular training and spot checking could also be increased as part of arrangements towards improved results.

### 3. Amended/Qualified Grant Claims (Continued)



#### Qualification Details

Our testing of the HRA Subsidy Base Data Return for the year ended 31 March 2010 identified several errors including incorrect number of void dwellings at the end of year, total value of the rent in the period, rent loss on void dwellings, average weekly formula rent and average rate of loan interest in August 2010.

#### Deloitte response

The error identified above resulted in the qualification of this grant claim. We would suggest that the importance of accurate data input is emphasised to those involved in the management of the data for this grant return. In addition to the importance of correct input for claim purposes.

#### Looking forward – 2010/11

At the time of writing this report, there have been no changes announced by the Audit Commission likely to impact on the scope of grant audit certification in 2010/11. However, there are usually some minor amendments to the certification instructions each year and we will keep you informed of any significant changes that are announced in the future.

#### Capital grants programmes

In general, as the Regional Development Agencies are wound down, future grant programmes may cease to be part of the Audit Commission's certification framework but may still require auditor certification. In this scenario, we should still be able to perform this certification work but the authority will need to ensure that they receive clear instructions from the grant-paying body with respect to who is required to do the certification and what work needs to be performed. Our experience of non-Audit Commission certification work has shown that the process can be confused and short notice certification requests are common. The Audit Commission has issued "good practice" guidance to grant-paying bodies in November 2010 to help to address this issue.



## 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:

[REDACTED]	[REDACTED]				
BEN01	[REDACTED]	Housing and Council Tax Benefits Scheme			49,560
CFB06	[REDACTED]	Pooling of housing capital receipts			4,425
EYC02	[REDACTED]	Sure start, early years and childcare			6,195
EYC02 (2008-09)	[REDACTED]	Sure start, early years and childcare			1,770
HOU01	[REDACTED]	Housing Subsidy			5,310
HOU02	[REDACTED]	HRA Subsidy Base Data Return			7,080
LA01	[REDACTED]	NDR Return			9,735
PEN05	[REDACTED]	Teachers' Pension Return			4,425
General / Admin costs incurred					12,390
<b>TOTAL AUDIT FEE</b>					<b><u>106,200</u></b>

## 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**

Chartered Accountants  
15 March 2011

*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.

BEN01	Housing and Council Tax Benefits Scheme	£ 112,272,111	30/11/2010	29/11/2010	Yes	Yes						
CFB06	Pooling of housing capital receipts	£1,801,661	30/09/2010	28/09/2010	No	No						
EYC02	Sure start, early years and childcare	£8,709,381	31/10/2010	38/10/2010	No	No						
HOU1	HRA Subsidy	£6,926,959	31/12/2010	15/12/2010	No	No						
HOU2	HRA Subsidy Base Data Return	N/A	11/10/2010	11/10/2010	Yes	Yes						
HOU21	Disabled Facilities	£510,000	31/10/2010	22/10/2010	No	No						
EYC02(08-09)	Sure start, early years and childcare	£4,971,484	n/a	n/a	No	No						
LA01	National non-domestic rates return	£48,930,269	25/09/2010	22/09/2010	No	No						
PEN05	Teachers' pensions return	£13,368,044	30/11/2010	12/11/2010	No	No						



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