



City of London Corporation  
(City Fund)

Report to the Audit and Risk  
Management Committee on the  
year ended 31 March 2012  
Certification work

Final Report

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# 1. Executive summary

We have pleasure in setting out in this document our key findings from our claims and returns certification work of the City of London Corporation ("the Authority") for the year ended 31 March 2012. This report is not intended to be exhaustive but highlights the most significant matters that have come to our attention.

<b>Certification deadlines</b>	We have certified 5 claims and returns required under our contract with the Audit Commission (see Section 4 for details), for the year ended 31 March 2012. All of the claims and returns we reported on were certified by the required deadline.					
<b>Results of our claims and returns certification work</b>	As a result of errors identified through the performance of our procedures, adjustments were required to 2 of the 5 claims/returns prior to certification. 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. It should be noted that adjustments to cells do not necessarily result in a net impact on the claim or return as they may net off with other adjustments or be memoranda items.					
	<b>Claims/returns</b>	<b>Value of claim (£)</b>	<b>Number of cells adjusted</b>	<b>Financial impact Increase/ (Decrease) (£)</b>	<b>Qualified in 2011/12</b>	<b>Qualified in 2010/11</b>
	Pooling of housing capital receipts ("CFB06")	164,000	0	0	NO	NO
	National non domestic rates return ("LA01")	725,206,395	0	0	NO	NO
	HRA subsidy return ("HOU01")	(482,305)	7	0	NO	NO
	Teachers' pension return ("PEN05")	152,926	0	0	NO	NO
	Housing and council tax benefit scheme ("BEN01")	6,011,119	1	0	NO	NO
<b>Fees</b>	Total fees charged in respect of the work performed on the 5 claims and returns (2011: 6) certified by Deloitte were £48,450 (2011: £50,840). Section 4 of this report sets out the fees charged on each of the 5 claims and returns we certified.					

## 2. Introduction

### **Purpose of this report**

This letter is addressed to the Audit and Risk Management Committee of the Authority and is intended to communicate key issues arising from our 2011/12 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.

Any claims that we are asked to certify outside of the Audit Commission framework contract will be subject to a separate engagement letter between Deloitte, the Authority and any other party who will be relying on the results of our grant audit work. This engagement letter sets out the responsibilities of all parties involved in the engagement, the scope of our work and our terms of business.

### **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 3 claims/returns without adjustment or a qualification letter:

- Pooling of housing capital receipts return ("CFB06").
- National non domestic rates return ("LA01")
- Teachers' pension return ("PEN05")

## Claims and returns certified with adjustment and without a qualification letter

There is no concept of materiality in the certification of the claims/returns. We were able to certify the following 2 claims/returns with adjustments and without a qualification letter:

<b>HOU01 - HRA subsidy return</b>	
<b>Adjustment details</b>	<p>Our procedures for the certification of the HOU01 return identified errors in relation to 7 cell calculations. Of these, errors in 3 cells were due to the cells being left blank instead of inserting "0". The other 4 cells were all impacted by an error made in the calculation of the Authority's capital financing requirement for the year.</p> <p>This was due to adjustments to the capital financing requirement during the year that had not been included in the calculation by the Authority.</p> <p>These errors could have impacted the calculation of the Authority's consolidated rate of interest. However, the adjustment was not in fact of sufficient magnitude to change the rate. Therefore, the amendments did not impact the overall subsidy entitlement on the claim/return.</p>
<b>Deloitte response</b>	<p>We discussed the errors with the Authority and the Authority chose to adjust the claim/return for the errors noted above. In our return submitted to the Department of Communities and Local Government we reflected the fact that the claim/return had been amended.</p>

<b>BEN01 - Housing and council tax benefit scheme</b>	
<b>Adjustment details</b>	<p>Our procedures for the certification of the BEN01 return identified a £1 rounding error in relation to the calculations in cell 142.</p>
<b>Deloitte response</b>	<p>We discussed the errors with the Authority and the Authority chose to adjust the claim/return to for the errors noted above. In our return submitted to the Department of Work and Pensions we reflected the fact that the subsidy claim had been amended.</p>

## 4. Certification information

Our work on the Authority's claims and returns for the year ended 31 March 2012 is now complete and the table below summarises the results of this work and our billings by return.

Under the Audit Commission framework agreement we bill our work on a time incurred basis. No Significant differences on fee when compared to 2011 were noted. All variances were under £1,000.

Certification instruction	Within Audit Commission framework	Claim/ return	2012 value of claim (£)	2012 results of audit work	2012 audit fee (£)	2011 audit fee (£)
BEN01	Yes	Housing and council tax benefits scheme	6,011,119	Amended	27,850	28,265
CFB06*	Yes	Pooling of housing capital receipts	164,000	Satisfactory	3,700	-
HOU01	Yes	HRA subsidy	(482,305)	Amended	3,900	3,550
LA01	Yes	National non-domestic rate return	725,206,395	Satisfactory	9,550	8,730
PEN05	Yes	Teachers' pension return	152,926	Satisfactory	3,450	3,140
EYC02	Yes	Sure start, early years and childcare grant claim	N/A	N/A	-	3,105
HOU02	Yes	Housing Finance base data return	N/A	N/A	-	4,050
<b>TOTAL</b>					<b>48,450</b>	<b>50,840</b>

\*The Pooling of housing capital receipts for 2011/12 were just over the Audit Commission threshold of £125,000 and therefore required audit certification.

## 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

31 January 2013

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