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Your ref: 09571065

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Section 151 officer of South Lakeland District Council

27 November 2019

Dear Sir / Madam

Housing Benefit (Subsidy) Assurance Process 2019 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2019.

This report is produced in accordance with the terms of our engagement letter with the South Lakeland District Council dated 3 October 2019, and the standardised engagement terms in Appendix 2 of HBAP Module 1 2018/19, issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of South Lakeland District Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 4 November 2019.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2018/19.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP, which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2018/19 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The Section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2018/19 dated 4 November 2019 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the Local Authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 4 November 2019, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules, an initial sample of cases was completed for all general expenditure cells, results as follows:

Cell 011 Non-HRA Rent Rebates - Classification errors

Four cases where there was a misclassification of overpayments between cells 12/13 and 14/15.

Cell 011 Non-HRA Rent Rebates - Classification of overpayments/prior year overpayments

Two cases where there was a misclassification of current year overpayments between cells 26, 27 and 28.

One case where there was a misclassification of prior year overpayment between cells 31 and 33.

Cell 011 Non-HRA Rent Rebates - Correct end dates

One case where the end date of the claim was incorrect - this should have been an overpayment.

As there were 100 cases in cell 011, all cases were reviewed for classification, current and prior year overpayment classification and correct end dates, and the claim form has been amended as a result (see Appendix C).

Cell 055 HRA Rent Rebates

There are no cases included within cell 055 of the claim form.

Cell 094 Rent Allowances - Classification of overpayments

One case where an overpayment due to an increase in occupational pension, had incorrectly been classified as Eligible, rather than LA Error and Administrative Delay.

One case where an overpayment due to a reduction in rent being put onto the assessment late, had also been incorrectly classified as Eligible, rather than LA Error and Administrative Delay.

As it was not possible to correctly establish the total error for amendment for the above errors, additional testing of 40 cases was completed. Results of this testing can be found in Appendix A.

Cell 094 Rent Allowances - Tax credits

One case where mistyping of tax credit amount resulted in an underpayment of benefit. However, this type of error could also result in an overpayment of benefit. As it was not possible to correctly establish the total error for the amendment, additional testing of 40 cases was completed on a sub-population of tax credit cases. Results of this testing can be found in Appendix A.

Cell 094 Rent Allowances - Underpayments

One case where the under-occupancy reduction was incorrect due to a system conversion error, resulting in an underpayment. The under-occupancy reduction had been brought forward as the same amount as in 2017/18, when it should be 14% of the 2018/19 rent figure. As the rents in the social sector were reduced for 2018/19, this would always result in underpayment, therefore, it has not been classified as errors for subsidy purposes.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have, therefore, not been classified as errors for subsidy purposes. The underpayment error has been included as an observation in Appendix B.

Cell 094 Rent Allowances - LHA rates

One case where the LHA rate had incorrectly been used for the rent cost, rather than the actual rent which was lower, leading to an overpayment. This was satisfactorily corrected by the Local Authority prior to the commencement of the audit, therefore included as an observation in Appendix B in accordance with Module 6.

Cell 214 Modified Schemes - Misclassification of benefit

One case identified where there had been a misclassification of benefit, due to War Widows Supplementary Pension not being disregarded in the standard scheme.

As there were less than 100 cases in cell 214, all cases have been reviewed for this attribute and the claim form has been amended accordingly (see Appendix C).

Completion of Modules

Completion of Module 2

We have completed the uprating checklist which has been cross referred to screenshots from the Housing Benefit system which confirm the parameters in use in 2018/19 and no issues were identified.

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and one issue was noted. The Local Authority had identified that the claim figure for cell 023 had been overstated by £16,732 and needed to be amended before certification.

The difference arose due to the cut off parameter, which puts the benefit into the correct year, not being amended for the new year for this payment type, resulting in two payment runs being charged to 2018/19 instead of 2019/20. This was picked up by the Local Authority when completing the April month-end reconciliation.

Only two payment runs for cell 023 were affected. A report was ran to identify all cell 023 cases affected to determine the balances which should be transferred to 2019/20. These totalled the £16,732 identified above and has been amended for in the final claim form (see Appendix C).

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding Qualification Letter, as follows:

Non-HRA Rent Rebates - misclassification of expenditure between cells 012/013 and 014/015 (errors identified and claim form amended - see Appendix C).

Non-HRA Rent Rebates - current year overpayment classification (errors identified and claim form amended - see Appendix C).

Non-HRA Rent Rebates - prior year overpayment classification (errors identified and claim form amended - see Appendix C).

Rent Allowances - incorrect childcare costs (errors identified and extrapolated - see Appendix A).

Modified Schemes - cases classed as modified where there was no war pension income (no errors identified).

The results of the above are outlined in the appropriate appendix.

The following CAKE tests have returned no errors and are considered as closed:

Modified Schemes - cases classed as modified where there was no war pension income.

Summary paragraph/ending of letter

For the form MPF720A dated 4 November 2019 for the year ended 31 March 2019 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, and C).

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Signature / stamp..... *Grant Thornton UK LLP*

Date..... *27 NOVEMBER 2019*

Appendix A Exceptions/errors found

Error Type 3 - benefit overpaid or insufficient supporting information.

Cell 094 Overpaid benefit - Incorrect tax credits

Cell 094: Rent Allowances - Total expenditure

Cell Total: £16,291,804

Cell Total £2,715,247 - Sub population

Cell Population: 4,172 cases

Cell Population: 860 cases - Sub population

Headline Cell: £16,291,804

During our initial testing, one case (value £3,674), where the tax credit amount had been input incorrectly resulting in an underpayment of benefit of £78. As an error of this nature could also lead to an overpayment, an additional sample of 40 cases were selected from the tax credits sub-population.

This additional testing identified one case (value £3,459), which resulted in an overpayment of housing benefit of £2 in 2018/19 due to the incorrect input of the tax credit figure. As a result, cell 102 is overstated and cell 113 is correspondingly understated.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (cases with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 3 cases	No tax credit errors (which resulted in an overpayment) found in initial sample	£2,715,248	£0	£11,037		
Additional testing sample - 40 cases	One error due to incorrect tax credit figure resulting in overpayment	£2,715,248	£2	£147,361		
Combined sample - 43 cases	One error resulting in overpayment	£2,715,248	£2	£158,398	0.001%	£27
Corresponding adjustment:	Cell 102 is overstated					(£27)
Total corresponding adjustment:	Cell 113 is understated					£27

Cell 094 Overpaid benefit - Incorrect childcare costs
Cell 094: Rent Allowances - Total expenditure
Cell Total: £16,291,804
Cell Total £354,974 - Sub population
Cell Population: 4,172 cases
Cell Population: 109 cases - Sub population
Headline Cell: £16,291,804

In 2017/18 it was identified that the Local Authority had incorrectly input childcare cost figures, resulting in an overpayment of benefit. During our initial testing, there were no cases including childcare costs. As a result of the errors found in the previous claim, an additional sample of 40 cases were selected from the childcare costs sub-population.

The additional testing identified one case (value £527), which resulted in an overpayment of housing benefit of £2 in 2018/19, due to the incorrect input of the childcare costs figure. As a result, cell 102 is overstated and cell 113 is correspondingly understated.

One case was also identified (value £5,748), that resulted in an underpayment of housing benefit of £1, due to a difference between the calculation amount and the assessment. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as errors for subsidy purposes.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (cases with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 0 cases	No childcare cost errors found in initial sample	£354,974	£0	£0		
CAKE sample - 40 cases	One error due to incorrect childcare costs resulting in overpayment	£354,974	£2	£144,126		
Combined sample - 40 cases	One error resulting in overpayment	£354,974	£2	£144,126	0.001%	£4
Corresponding adjustment:	Cell 102 is overstated					(£4)
Total corresponding adjustment:	Cell 113 is understated					£4

Error Type 4 - expenditure misclassification. Where benefit expenditure has been misclassified

Cell 114 Expenditure misclassification - Incorrect classification of eligible overpayments

Cell Total: £416,207

Cell population 1,403

Headline Cell: £16,291,804

The initial cell 094 testing for 2018/19 included two cases (values £840 and £3,506) where overpayments as a result of late implementation of information had been misclassified as Eligible overpayments, rather than LA Error and Administrative Delay overpayments. The errors ranged from £29 to £2,013. Additional 40+ testing was undertaken on cell 114 overpayments.

Testing of an additional random sample of 40 cases identified one case (value £246) where the Local Authority failed to notice that the claim was for joint tenancy, therefore, the overpayment had also incorrectly been included as an Eligible overpayment rather than LA Error and Administrative Delay overpayments.

As a result of the above errors, cell 114 is overstated and cell 113 is correspondingly understated. There is no effect on cell 094.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (cases with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 8 cases	Two errors as a result of misclassification of overpayment - should be LA error	£416,208	£2,042	£5,268		
Additional testing sample - 40 cases	One error as a result of misclassification of overpayment - should be LA error	£416,208	£246	£17,639		
Combined sample - 48 cases	Three errors resulting in misclassification of overpayments	£416,208	£2,288	£22,907	9.99%	£41,579
Corresponding adjustment:	Cell 114 is overstated					(£41,579)
Total corresponding adjustment:	Cell 113 is understated					£41,579

Appendix B Observations

Error Type 1 - underpaid benefit which would always result in an underpayment.

Cell 094: Rent Allowances - Total expenditure

Cell Total: £16,291,804

Cell Population: 4,172 cases

Headline Cell: £16,291,804

Initial testing of cell 094 identified one case (value £717) where the under-occupancy reduction was incorrect due to a system conversion error, when transferring from Civica to Capita, resulting in an underpayment of £64. The under-occupancy reduction had been brought forward as the same amount as in 2017/18, when it should be 14% of the 2018/19 rent figure. As the rents in the social sector were reduced for 2018/19, this would always result in underpayment, therefore, it has not been classified as an error for subsidy purposes, and no additional testing undertaken.

Initial testing of cell 094 also identified one case (value £3,674), where tax credits had been input incorrectly, resulting in an underpayment of £78. As this error could also result in an overpayment, 40+ testing of cell 094 Tax Credits was carried out, as reported in Appendix A above.

Additional testing of cell 094 childcare costs identified one case (value £5,748), that resulted in an underpayment of housing benefit of £1, due to a difference between the calculation amount and the assessment. A further overpayment error was also found in the additional testing, as reported in Appendix A above.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.

Error type 3 - benefit overpaid or insufficient supporting information.

Cell 094: Rent Allowances - Total expenditure

Cell Total: £16,291,804

Cell Population: 4,172 cases

Headline Cell: £16,291,804

Initial testing of cell 094 identified one case (value £4,553), where the LHA rate had incorrectly been used for the rent cost, rather than the actual rent which was lower, leading to an overpayment of £258. This was satisfactorily corrected by the Local Authority prior to the commencement of the audit, therefore has not been classified as an error for subsidy purposes in accordance with Module 6.

Appendix C Amendments to the claim form MPF720A

Error Type 3 - benefit overpaid or insufficient supporting information.

Cell 011: Non-HRA Rent Rebates – Total expenditure

Cell Total: £335,075

Cell Population: 100 cases

Headline Cell: £335,075

Initial testing of cell 011 identified one case which had an incorrect end date. As there were 100 cases in cell 011, we tested all cases in this cell for this attribute on behalf of the Local Authority and confirmed that cell 023 was overstated by £141 and cell 028 was understated by £141.

Error Type 4 - expenditure misclassification

Cell 011: Non-HRA Rent Rebates – Total expenditure

Cell Total: £335,075

Cell Population: 100 cases

Headline Cell: £335,075

Cell 011 - Split between cells 012/013 and 014/015

CAKE and initial testing found cases where the split between cells 012/013 and 014/015 was incorrect. As there were 100 cases in the cell 011 population, we reviewed the split in all cases in cell 011 on behalf of the Local Authority and confirmed that cell 012 was understated by £1,091, cell 013 was understated by £598, cell 014 was overstated by £3,078 and cell 015 was understated by £1,496. As a result of incorrect coding, the corresponding entries to other cells were that cell 011 was understated by £114, cell 094 was overstated by £114, cell 103 was overstated by £114, and cell 26 was understated by £7.

Cell 011 - Incorrect overpayment classification

CAKE and initial testing identified two cases with overpayments which had been incorrectly classified as Eligible overpayments. As a result, the full population was examined for this attribute on behalf of the Local Authority, we identified that cell 026 was understated by £346, cell 027 was understated by £1,126 and cell 028 was overstated by £1,471.

Cell 011 - Incorrect prior year overpayment classification

CAKE and initial testing found cases with prior year overpayments which had been incorrectly classified as Eligible overpayments. As a result, the full population was examined for this attribute on behalf of the Local Authority, we identified that cell 031 was understated by £267 and cell 033 was overstated by £3,202.

Cell 011 - Incorrect parameter used

On completion of Module 5 we identified one issue. The Local Authority identified that cell 023 was overstated by £16,732 and needed to be amended before certification. As a result, cell 011 was overstated by the same amount.

The difference arose due to the cut off parameter, which puts the benefit into the correct year, not being amended for the new year for this payment type, resulting in two payment runs being charged to 2018/19 instead of 2019/20. This was picked up by the Local Authority when completing the April month-end reconciliation.

Only two payment runs for cell 023 were affected. A report was ran to identify all cell 023 cases affected to determine the balances which should be transferred to 2019/20. These totalled the £16,732 identified above and has been amended for in the final claim form.

Cell 214: Non-HRA Rent Rebates - Total expenditure

Cell Total: £22,363

Cell Population: 21 cases

Headline Cell: £22,363

Initial testing identified one case where the War Widows Supplementary Pension was not disregarded in the standard scheme. As there were less than 100 cases in cell 214, we tested all cases in this cell for this attribute on behalf of the Local Authority. We confirmed that cell 214 was overstated by £5,176, cell 102 was understated by £2,866, cell 103 was understated by £990 and cell 095 was understated by £1,319. This resulted in corresponding adjustments that cell 094 was understated by £5,176 and cell 224 was overstated by the same value.

All the above are reflected in the amendments made to Form MPF720a dated 4 November 2019.

Appendix D Additional Issues

No additional issues to report.

Housing Benefit Assurance Process (HBAP) Module 5: Capita - noncompliance data return - Appendix 2

Please indicate which control matrix questions the authority failed on completion of HBAP Module 5 and attach this Appendix 2 to the final HBAP Report submitted to DWP as specified in HBAP Modules 1 and 6.

NB: nil returns are required.

Audit Scotland, Wales Audit Office & Firms should also inform their HB Leads.

Authority: South Lakeland District Council

Audit Manager: Pam Swallowe

HB System: Capita

Control Question:	Please indicate those questions that the authority failed:	Comments:	Included in qualification letter (yes or no)? If no please state reasons:
1) Has the authority used the correct version of the benefits software?	Not failed	n/a	n/a
2) Has the authority ensured that it has received all the relevant patches / upgrades throughout the year?	Not failed	n/a	n/a
3) Has the authority received and loaded the latest patch for the claim onto the benefits system?	Not failed	n/a	n/a
4) Has the authority performed all the recommended validation checks / recalculations suggested on patch upgrade?	Not failed	n/a	n/a

HOUSING BENEFIT ASSURANCE PROCESS (HBAP) MODULE 5- APPENDIX 1&2: CAPITA

Control Question:	Please indicate those questions that the authority failed:	Comments:	Included in qualification letter (yes or no)? If no please state reasons:
5) Has the authority used the correct version of the year end subsidy program to compile the claim?	Not failed	n/a	n/a
6) Has the standard claim reconciliation methodology been followed?	Not failed	When completing the April month end reconciliation, the Local Authority had identified that the claim figure for cell 023 had been overstated by £16,732 and needed to be amended before final certification. For further details see page 4 of HBAP accountants' report.	Yes - page 4
7) Can you agree claim compilation methodology to standard and have all claim reassessments / validation checks been complied with before claim completion?	Not failed	n/a	n/a
8) Has the claim form, with its included payment runs, been correctly completed to meet the definition of the Subsidy Order (see control objective 4 above)?	Not failed	n/a	n/a