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17 March 2021

Housing Benefit (Subsidy) Assurance Process 2020 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 2020

This report is produced in accordance with the terms of our engagement letter with the South Lakeland District Council dated 12 October 2020 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2019/20 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 29 April 2020.

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 2019/20.

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 2019/20 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 2019/20 dated 16 March 2021 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 16 March 2021, 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. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results:

Cell 011 Non HRA Rent Rebate

The population for this cell is below 100 cases and, as a result of several CAKE findings, additional testing was required for this cell. As such all cases within cell 11 were tested in full by the Council. This testing identified 11 cases where overpayments had been misclassified, 5 cases where expenditure was misclassified, four cases where the rent used in the benefit calculation was incorrect, three cases where the claims were ended on the incorrect date and one case where the earned income used in the benefit calculation was incorrect. Since all cases within the population were tested and amendment could be agreed to the claim form. See appendix C for further details.

Cell 094 Rent Allowance

Initial testing of Cell 94 identified three cases where the assessed income figure used in the benefit calculation was incorrect. This was due to a failure to uprate Pension Savings Credit and State Retirement Pension income on 1/4/20. The uprating was instead applied on 8/4/20. The Council has identified all cases affected by this so that an amendment to the claim form could be agreed. There was

also one case where a mass system recalculation generated a rounding error on the claim which resulted in an overpayment. The Council tested all cases affected by the mass recalculation in order to determine an agreed amendment to the claim form. One case was also identified where an overpayment had been misclassified. We were already performing additional testing in this area due to our findings from last year's report, see appendix A.

Cell 225 Modified Schemes

Initial testing of Cell 225 identified two cases which were also impacted by AIF/SRP issue noted above. There was also one case where not all War Disablement Pensions were included on the claim. Since the population for this cell was below 100 cases, all remaining cases were tested so that an amendment to the claim form could be agreed.

Completion of Modules

Completion of Module 2

We have completed the parameter updating checklist and no issues were identified.

Completion of module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

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. Where appropriate the Authority has completed testing of the sub populations for:

- Non-HRA Rent Rebates – misclassification of expenditure between cells 012 and 013 and cells 014 and 015
- Non-HRA Rent Rebates – classification of overpayments
- Rent Allowances – incorrect childcare costs used in the benefit calculation
- Rent Allowances – incorrect working tax credits used in the benefit calculation
- Modified Schemes – omission of supplementary War Widows Pension from the benefit calculation

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

None of the CAKE tests have returned no errors and so all remain open for future claim periods.

Summary paragraph/ending of letter

For the form MPF720A dated 16 March 2021 for the year ended 31 March 2020 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, C and D).



Grant Thornton UK LLP

Glasgow

17 March 2021

Appendix A Exceptions/errors found**Cell 114 Expenditure misclassification – Incorrect classification of eligible overpayments****Cell Total: £201,449****Cell Population: 1,003 cases****Headline Cell: £14,490,329**

It was identified in the 2018/19 claim and reported in the HBAP report for that there were errors identified in the classification of overpayments.

Testing within the initial sample for 2019/20 identified one case (value £128) where expenditure was incorrectly classified as current year eligible overpayments when they should have been classified as prior year eligible overpayments. The value of the error was £367. Additional testing required due to the findings in prior years, also covered this error identified.

Additional Testing

Testing of an additional random sample of 40 cases identified one further case where expenditure was incorrectly classified as eligible overpayments when it should have been LA Error and Administrative delay overpayments. The value of the error was £1.

As a result of the above errors, cell 114 is overstated and cells 121 and 113 are 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:	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 5 cases	One error – misclassification of overpayments	£201,449	£367	£587		
Additional sample - 40 cases	One error – misclassification of overpayments	£201,449	£1	£8,006		
Combined sample 45 cases	Two errors – misclassification of overpayments	£201,449	£368	£8,593	4.28%	£8,622
Corresponding Adjustment:	Cell 114 is Overstated				4.28%	(£8,622)
	Cell 113 is Understated				0.01%	£20
Total Corresponding adjustment	Cell 121 is Understated				4.27%	£8,602

Appendix B Observations**Cell 094 Underpayment of Benefit – Working Tax Credits****Cell 094 Rent Allowances****Cell Total: £14,490,329****Cell Population: 3,578 cases****Headline Cell: £14,490,329**

It was identified in the 2018/19 claim and reported in the HBAP report for that there were errors identified in the value of tax credits applied in the benefit calculation.

Testing within the initial sample for 2019/20 did not identify any similar issues of this nature. However due to the findings in our previous HBAP report, additional testing was performed.

Additional Testing

Testing of an additional random sample of 40 cases identified one case where the incorrect working tax figure was used in the benefit calculation. This resulted in an underpayment of benefit of £1. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and so has not, therefore, been classified as an error for subsidy purposes.

Cell 011 Non-HRA Rent Rebates – incorrect recording as Non-HRA cases**Cell Total: £313,655****Cell Population: 92 cases****Headline Cell: £313,655**

Testing of all cases within cell 11 identified three cases where the claim form had incorrectly removed expenditure where the system showed there was no non-HRA related expenditure transactions relating to these items in the subsidy year. The impact of this error is that both cells 11 and 23 are understated by £306. Since all cases within cell 11 were tested there is no further testing to be performed. The Council has corrected the issue on the system, and it will be included in the 2020/21 subsidy claim. No amendment has been made to the 2019/20 claim form for this.

Appendix C: Amendments to the claim form MPF720A**Cell 094 Assessed Income uprating error****Cell 094 Rent Allowances****Cell Total: £14,490,329****Cell Population: 3,578 cases****Headline Cell: £14,490,329**

Initial testing of a sample of 20 cases identified five cases (values between £1,675 and £4,439) where the annual uplift to assessed income figures, state retirement pension and pension savings credits were incorrectly applied on 8 April 2019 instead of 1 April 2019. As a result of this error the Council identified a sub-population containing all cases affected by this issue (678 cases) which have been subject to further testing by the Council, with a sample re-performed by ourselves.

In total there was 499 fail cases of which 89 were below the applicable amount, so although incorrect, no financial implication. The total overpayment of the 410 fails was a financial implication of £1,468 and total underpayment is £10. Since there is no eligibility for subsidy for benefit expenditure which has not been paid, the underpayment has been corrected on the system and will therefore be included in the 2020/21 claim form. No amendment has been made to the 2019/20 claim form

The impact of the overpayment above is an overstatement to cell 094 of £1,468 and corresponding overstatements to cell 095 of £58, cell 098 of £2, cell 099 of £87, cell 102 of £829 and cell 103 of £492.

The overpayment elements have been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 094 Overpayment of benefit – Incorrect childcare costs**Cell 094 Rent Allowances****Cell Total: £14,490,329****Cell Population: 3,578 cases****Cell Population: 62 cases – Sub population****Headline Cell: £14,490,329**

As a result of our CAKE findings from 2018/19 additional testing was performed in relation to the accuracy of childcare costs used in the benefit calculation. There were no issues identified in regard to this from any of our initial testing performed. Since the identified sub population was below 100 cases, all cases were tested so that an amendment to the claim could be agreed.

Our additional testing identified one case (value £3,027) where the figure used for childcare costs in the benefit calculated could not be vouched to supporting evidence. As such cell 102 is overstated by £98 and cell 113 is correspondingly understated by £98.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 225 – Overpayment of Benefit – Modified Schemes**Cell 225 – Modified Schemes****Cell Total: £30,816****Cell Population: 20 cases**

Our initial testing of cell 224 identified one case (value £984) where not all of the claimants' War Widows Pension income was included in the benefit calculation. As a result of this cell 224 was understated by £257 with cells 94 and 103 correspondingly understated by the same amount.

As such additional testing was required and since the population for this cell was below 100 cases, all cases were tested so that an amendment to the claim could be agreed. Our additional testing identified two further cases where War Pensions were not recorded correctly in the benefit calculation. The impact

of this is that cell 224 is understated by a combined total of £2 with cell 94 correspondingly overstated by the same amount.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 225 – Understatement of local scheme expenditure - Modified Schemes

Cell 225 – Modified Schemes

Cell Total: £30,816

Cell Population: 20 cases

As a result of our CAKE findings from 2018/19 additional testing was performed in relation to the correct disregarding of War Widows Supplementary Pension in the standard scheme. There were no issues identified in regard to this from the initial testing performed. Since the population for this cell was below 100 cases, all cases were tested so that an amendment to the claim could be agreed.

Our additional testing identified two cases where the disregard was incorrectly applied. This resulted in cell 224 being overstated by £5,225, cell 094 being understated by £5,225 and cell 102 and cell 103 being understated by £3,249 and £1,976, respectively.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 011 Non-HRA Rent Rebates – Incorrect classification of overpayments

Cell Total: £313,655

Cell Population: 92 cases

Headline Cell: £313,655

As a result of CAKE and our testing of all cases within cell 11, we identified 11 cases where overpayments were incorrectly classified. The impact of these errors is that cell 23 is overstated by £223, cell 26 is overstated by £1,724, cell 27 is understated by £2,546 and cell 28 is overstated by £598.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 011 Non-HRA Rent Rebates – Incorrect Rent

Cell Total: £313,655

Cell Population: 92 cases

Headline Cell: £313,655

As a result of our testing of all cases within cell 11, we identified four cases where the incorrect rent was used in the benefit calculation. The impact of these errors is that cell 11 is overstated by £87, cell 12 is overstated by £1,825, cell 13 is overstated by £2,863, cell 26 is understated by £87 and cell 28 is understated by £4,688.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 011 Non-HRA Rent Rebates – Incorrect Income

Cell Total: £313,655

Cell Population: 92 cases

Headline Cell: £313,655

As a result of our testing of all cases within cell 11, we identified one case where the incorrect earned income figure was used in the benefit calculation. The impact of this error is that cell 23 is overstated by £1 and cell 26 is understated by £1.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 011 Non-HRA Rent Rebates – Incorrect claim end date

Cell Total: £313,655

Cell Population: 92 cases

Headline Cell: £313,655

As a result of our testing of all cases within cell 11, we identified three cases where the claims were stopped on incorrect dates, leading to a misclassification of expenditure. The impact of these errors is that cell 15 is understated by £26, cell 23 is understated by £598, cell 27 is overstated by £106 and cell 28 is overstated by £518.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Cell 011 Non-HRA Rent Rebates – expenditure misclassification

Cell Total: £313,655

Cell Population: 92 cases

Headline Cell: £313,655

As a result of our testing of all cases within cell 11, we identified two cases where expenditure has been classified incorrectly. For one case the claim was incorrectly recorded as being leased expenditure. For the other claim the system incorrectly recorded a prior year overpayment when the claim is no longer in payment as non-HRA expenditure. The impact of these errors is that cell 11 and cell 28 are both overstated by £324, cell 14 is overstated by £819 and cell 23 is understated by £819.

This has been reflected in the amendment made to Form MPF720a dated 16 March 2021.

Appendix D Additional issues

Cell 225 – Modified Schemes – Incorrect rent

Cell 225 – Modified Schemes

Cell Total: £30,816

Cell Population: 20 cases

It was identified in the course of our testing on modified schemes that for one case with a value of £145, the incorrect rent was applied in the benefit calculation. The scope of our testing on modified schemes is limited to ensuring that the war widows' pension and any related disregards have been correctly applied.

As such this error was outside the scope of our testing and so no additional testing has been performed on this error. This is in line with the approach set out in module 6.