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28 February 2022

Housing Benefit (Subsidy) Assurance Process 2021 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 2021

This report is produced in accordance with the terms of our engagement letter with the South Lakeland District Council dated 12 July 2021 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2020/21 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 28 February 2022.

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 the Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2020/21.

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 2020/21 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 2020/21 dated 30 April 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 28 February 2022, 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. No claims were found to be in error.

Cell 094 Rent Allowance

Initial testing of Cell 94 identified one case where the Local Authority had incorrectly assessed student loan income, this led to an underpayment of benefits. See Appendix B for further details.

Cell 225 Modified Schemes

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 225 were tested in full by the Council. No claims were found to be in error.

Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2

Testing of the module 2 identified no issues.

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, classification of overpayments, incorrect rent used, incorrect end date used and incorrect earned income used.
- 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.
- Rent Allowances- incorrect classification of overpayments.
- Cell 094 Assessed Income uprating error.

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.

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

- Non-HRA Rent Rebates – misclassification of expenditure between cells 012 and 013 and cells 014 and 015, classification of overpayments, incorrect rent used, incorrect end date used and incorrect earned income used.
- Rent Allowances – incorrect childcare costs used in the benefit calculation
- Modified Schemes – omission of supplementary War Widows Pension from the benefit calculation
- Cell 094 Assessed Income uprating error.

Summary paragraph/ending of letter

For the form MPF720A dated 28 February 2022 for the year ended 31 March 2021 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.

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28 February 2022

Appendix A Exceptions/errors found

Cell 114 Expenditure misclassification – Incorrect classification of eligible overpayments

Cell Total: £143,014

Cell Population: 557 cases

Headline Cell: £14,118,943

It was identified in the 2018/19 and 2019/20 claim and reported in the HBAP Report for both years that Cell 114 included overpayments that should properly have been classified as Cell 113 LA error and administrative delay eligible overpayments. Testing within the initial testing for 2019/20 included 3 cases (value £270) within Cell 114 eligible overpayments and in all cases the overpayments were classified appropriately. However, as a result of the errors in the previous years' claim, additional CAKE testing was undertaken of Cell 114 overpayments, in line with the HBAP approach.

Additional Testing

Testing of an additional random sample of 40 cases identified 2 cases (total value £547) where the dates have been incorrectly applied and part of the overpayment should have been classified in cell 113 not cell 114. Consequently, cell 114 is overstated and cell 113 is correspondingly understated. There is no effect on cell 094.

Values ranged in value from £48 to £90.

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 - 3 cases	No errors	£143,014	£0	£270		
Additional sample - 40 cases	Two errors – misclassification of overpayments	£143,014	£137	£11,945		
Combined sample 45 cases	Two errors – misclassification of overpayments	£143,014	£137	£12,215	1.13%	£1,616
Adjustment	Cell 114 is Overstated				1.13%	£1,616
Corresponding Adjustment	Cell 113 is Understated				1.13%	£1,616
Total corresponding adjustment	Total adjustment to Cell 114 and 113					-£1,616

Appendix B Observations

Cell 094 Overpaid benefit – Earned Income calculation error additional issue

As a result of the additional testing on Cell 114 classification of eligible overpayments, it was discovered that there were three cases where income was incorrectly assessed in the benefit calculation:

- One case (value £4,434) where a claimant was in receipt of pension savings credit and income was amended without notification that the assessed income figure has been amended by the pension service. Cell 114 is overstated by £51 and cell 102 is understated by £51.
- One case (value £2,252) where there was an error in the net pay calculation. Cell 114 is understated by £1 and Cell 102 is overstated by £1.
- One case (value £4,122) where an incorrect income figure was used. Cell 114 is overstated by £16 and Cell 103 is understated by £16.

In line with Module 6 paragraph 50, no further work has been completed in relation to these issues. They will be reviewed as part of our CAKE work on the 2021/22 claim.

Cell 094 Underpayment of benefit student loan income error

Our initial testing of cell 94 identified one case (value £3,812) where student loan income was calculated incorrectly resulting in an underpayment of benefits. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. This error could also result in the overpayment of benefit, so additional testing has been undertaken.

As 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 8 further cases (value £32,662) where student loan income was calculated incorrectly. In all cases this resulted in an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes and no amendments to the claim have been posted. This issue will be reviewed as part of our CAKE work on the 2021/22 claim.

Appendix C: Amendments to the claim form MPF720A

Cell 094 Overpayment of benefit – Incorrect working tax credit income

Cell 094 Rent Allowances

Cell Total: £ 14,118,943

Cell Population: 3,032 cases

Cell Population: 290 cases – Sub population

As a result of our CAKE findings from 2019/20 additional testing was performed in relation to the accuracy of working tax credit income used in the benefit calculation. There were no issues identified in regard to this from any of our initial testing performed. All cases in this sub-population were tested so that an amendment to the claim could be agreed.

Our additional testing identified one case (value £ 5,180) where the figure used for working tax credit in the benefit calculated was incorrect. As such, cell 102 is overstated by £12 and cell 113 is correspondingly understated by £12.

This has been reflected in the amendment made to Form MPF720a dated 28 February 2022.

Appendix D Additional Issues

No matters to report.

