

Our ref:
Your ref:

Housing Benefit Unit
Housing Delivery Division
DWP Business Finance & Housing Delivery Directorate
Room B120D
Warbeck House
Blackpool
Lancashire
FY2 0UZ

Section 151 officer South Somerset District Council

28 November 2019

Dear Sirs

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 South Somerset District Council dated 8th March 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 Somerset 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 30 April 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 2019.

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 30 April 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 30 April 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 and B

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
 - No claims were found to be in error
- Cell 094 Rent Allowance – Application of tax credits
 - 1 claim had incorrectly applied tax credits as part of the benefit subsidy calculation. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error

Completion of Modules

- Completion of Module 2
 - We have completed the uprating checklist as required for module 2 of the certification work and have confirmed that all parameters have been appropriately implemented. No issues have been 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:

- Rent allowances cell 94 overpaid benefit earned income calculation error
- Rent allowances cell 94 overpaid benefit earned income self-employed calculation error
- Rent allowances cell 94 overpaid benefit due to incorrect application of tax credits
- Rent allowances cell 94 overpaid benefit due to incorrect application of pension credit savings credits
- Rent allowances cell 114 Claimant error overpayment classification
- Modified Schemes cell 225 Incorrect application of uprated war disablement pension payments

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:

- Modified schemes cell 225 Incorrect application of uprated war disablement pension payments

Summary paragraph/ending of letter

For the form MPF720A dated 30 April 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 Appendices A and B.

Firm of accountants – Grant Thornton UK LLP

Office – 2 Glass Wharf, Bristol, BS2 0EL

Contact details (person, phone and email) – Barrie Morris 0117 3057708 barrie.morris@uk.gt.com

Signature / stamp.....



Date

28/11/19.

Appendix A Exceptions/errors found

Cell 094 Rent Allowances – Total Expenditure (Benefit Granted)

Cell Total £32,466,497

Cell Population 8,004

Cell Sub-total £4,616,777 – sub population of claims with earned income

Cell Sub-population 1,467 – sub population of claims with earned income

Headline Cell £32,466,497

In 2016/17 and 2017/18 it was identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. During our initial testing, 5 cases (value £10,899) where the assessment was based on earned income were tested and no errors were identified.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified:

- 3 cases which resulted in an overpayment of housing benefit to a total of £271 in 2018/19 due to miscalculating the claimants earned income. The errors ranged from £56.56 to £174.77.
- 1 case resulted in an underpayment of housing benefit to a total of £74.40 in 2018/19 due to miscalculating the claimants earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

Sample	Movement / brief note of error:	Original cell total: sub population (claims 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 – 5 cases	Incorrect Earned Income Calculation – Cell 094	£4,616,777	£0	£10,899		
Additional testing sample – 40 cases	Incorrect Earned Income Calculation – Cell 094	£4,616,777	£271	£141,291		
Combined sample - 45 cases	Incorrect Earned Income Calculation – Cell 094	£4,616,777	£271	£152,190	0.18%	£8,218
Corresponding adjustment:	Combined sample - Cell 102 is overstated	£4,616,777	£271	£152,190	0.18%	£(8,218)
Total corresponding adjustment	Combined sample - Cell 113 is understated					£8,218

Cell 094 Rent Allowances – Total Expenditure (Benefit Granted)

Cell Total £32,466,497 –

Cell Population 8,004

Cell Sub-total £1,566,582 – sub population of claims with self-employed earned income

Cell Sub-population 393 – sub population of claims with self-employed earned income

Headline Cell £32,466,497

In 2016/17 and 2017/18 it was identified that the Local Authority has incorrectly calculated self-employed earned income resulting in an overpayment of benefit. No cases were identified in our initial testing, where the assessment was based on earned income were tested and no errors were identified.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon self-employed earned income was tested. This additional testing identified:

- 3 cases which resulted in an overpayment of housing benefit to a total of £12 in 2018/19 due to miscalculating the claimants self-employed earned income. The errors ranged from £0.51 to £6.93.
- 1 case resulted in an underpayment of housing benefit to a total of £0.14 in 2018/19 due to miscalculating the claimants earned income and 5 cases resulted in no impact on the subsidy calculation. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

The results of our testing are set out below:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with self-employed 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	Incorrect Self-employed Earned Income Calculation – Cell 094	£1,566,582	£0	£0		
Additional testing sample – 40 cases	Incorrect Self-employed Earned Income Calculation – Cell 094	£1,566,582	£12	£137,587		
Combined sample - 40 cases	Incorrect Self-employed Earned Income Calculation – Cell 094	£1,566,582	£12	£137,587	0.009%	£141
Corresponding adjustment:	Combined sample - Cell 103 is overstated	£1,566,582	£12	£137,587	0.009%	£(141)
Total corresponding adjustment	Combined sample - Cell 113 is understated					£141

Cell 114 Rent Allowances – Eligible Overpayments (Current Year)

Cell Total £32,466,497

Cell Population 8,004

Cell Sub-total £417,905 – sub population of claims with overpayments

Cell Sub-population 1,535 – sub population of claims with overpayments

Headline Cell £32,466,497

It was identified in the 2016/17 and 2017/18 claims and reported in the qualification letter for those year 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 2018/19 included 2 cases within Cell 114 eligible overpayments support and in all cases the overpayments were classified appropriately. Additional 40+ testing was undertaken of Cell 114 overpayments.

Additional Testing

Testing of an additional random sample of 40 cases identified 2 cases (total value £12) where the dates have been incorrectly applied and part of the overpayment should have been classified in cell 113 (LA error overpavments) not cell 114. Testing also identified 2 case (total value £191) where dates have been incorrectly applied and part of the overpayment should have been classified in cell 102. Consequently, cell 114 is overstated and cells 102 and 113 are correspondingly understated there is no effect on cell 094.

Values ranged in value from £5.52 to £129.24

The results of our testing are set out below:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with over payments)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV	[SE/SV]	[SE/SV times CT]
Initial sample - 2 cases	Misclassification of overpayments - cell 114	£417,905	£0	£1,042		
Additional testing sample - 40 cases	Misclassification of overpayments - cell 114	£417,905	£203	£14,268		
Combined sample - 42 cases	Misclassification of overpayments - cell 114	£417,905	£203	£15,310	1.33%	£5,541
	Combined sample - Cell 113 is understated	£417,905	£12	£15,310	0.08%	£326
	Combined sample - Cell 102 is understated	£417,905	£191	£15,310	1.25%	£5,215
Total corresponding adjustment	Total amendment of Cell 102, 113 and 114					£(5,541)

Cell 094 Rent Allowances – Total Expenditure (Benefit Granted)
Cell Total £32,466,497 – sub population
Cell Population 8,004

In 2016/17 and 2017/18 it was identified that the Local Authority has incorrectly calculated tax credits resulting in an overpayment of benefit. 1 case (total value £105) was identified in our initial testing, where tax credits had been incorrectly applied leading to an error and an overpayment of subsidy.

Given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon tax credits was tested. The Authority are unable to provide a sub population of those cases where tax credits have been applied and therefore, the extra sample has been taken from the headline cell. This additional testing identified:

- 1 case which resulted in an overpayment of housing benefit to a total of £4 in 2018/19 due to misapplication of the claimant's tax credits.
- 1 case resulted in an underpayment of housing benefit to a total of £30.61 in 2018/19 due to misapplication of the claimant's tax credits. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

The results of our testing are set out below:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with tax credits)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV	[SE/SV]	[SE/SV times CT]
Initial sample – 20 cases	Incorrect application of tax credits – cell 94	£32,466,497	£105	£75,884		
Additional testing sample – 40 cases	Incorrect application of tax credits – cell 94	£32,466,497	£4	£143,574		
Combined sample - 60 cases	Incorrect application of tax credits – cell 94	£32,466,497	£109	£219,458	0.050%	£16,233
Corresponding adjustment:	Combined sample - Cell 103 is overstated	£32,466,497	£4	£219,458	0.001%	£(974)
	Combined sample – Cell 102 is overstated	£32,466,497	£105	£219,458	0.049%	£(15,259)
Total corresponding adjustment	Total amendment of Cell 102, 103 and 113					£(16,233)

Cell 094 Rent Allowances – Total Expenditure (Benefit Granted)

Cell Total £32,466,497 – sub population

Cell Population 8,004

Cell Sub-total £1,613,939 – sub population of claims with Pension Credit Savings

Cell Sub-population 377 – sub population of claims with Pension Credit Savings

Headline Cell £32,466,497

In 2016/17 and 2017/18 it was identified that the Local Authority has misapplied the claimants pension savings credit savings resulting in an overpayment of benefit. During our initial testing, 3 cases (value £9,663), where the assessment was based on pension savings credit savings, were tested and no errors were identified.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon pensions savings credit savings was tested. This additional testing identified:

- o 3 cases resulting in an underpayment of housing benefit to a total of £9 74 in 2018/19 due to misapplication of the claimant's pensions credit savings credit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

Appendix B Observations

There are no observations to report.