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Housing Benefit (Subsidy) Assurance Process 2019/2020 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 South Somerset District Council dated 22 May 2018 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 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 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 29 April 2020 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 23 February 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.

Cell 011 Non-HRA Rent Rebate

There were no entries relating to Non-HRA Rent Rebates during 2019-20.

Cell 055 HRA rent rebate

South Somerset District Council does not have any HRA properties, therefore there are no entries to the HRA Rent Rebates cells.

Cell 094 Rent Allowance

One claim had incorrect State Retirement Pension applied which led to overpaid benefit. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error.

Two claims had incorrect Tax Credits applied, one of which led to overpaid benefit and the other led to underpaid benefit. As these errors could lead to overpaid benefit and it was not possible to correctly establish the error for amendment, additional testing for 40 cases was completed for the errors.

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

We have completed Module 2 and 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 HBAP report. Where appropriate the Authority has completed testing of the sub populations for:

- Rent Allowances – Cell 94, incorrect earned income
- Rent Allowances – Cell 94, incorrect self-employed earned income
- Rent Allowances – Cell 94, incorrect Tax Credits
- Rent Allowances – Cell 94, incorrect Pension Credits Savings Credits
- Rent Allowances – Cell 114, incorrect entry to eligible overpayments cell

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.

Summary paragraph/ending of letter

For the form MPF720A dated 23 February 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.

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Signature:



Date: 25 February 2021

Appendix A Exceptions/errors found

Cell 094 Overpaid benefit – State retirement pension error

Cell 094 Rent Allowances

Cell Total: £29,385,871

Cell Total £6,543,734 – sub population

Cell Population: 7,052 cases

Cell Population: 1,175 cases – sub population

Initial testing showed 1 claim (value £4,246) had state retirement pension incorrectly applied that resulted in overpaid benefit of £7.68.

As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed. No cases were found to be in error.

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 X CT]
Initial sample – 1 case	Incorrect state pension	£29,385,871	£8	£4,246		
CAKE sample – 40 cases	Incorrect state pension	£6,543,734	£0	£84,211		
Combined sample - 41 cases	Incorrect state pension	£6,543,734	£8	£88,457	0.01%	£654
Corresponding adjustment:	Cell 102 is overstated	£6,543,734	£8	£88,457	0.01%	£(654)
Total corresponding adjustment	Cell 113 is understated					£654

Cell 094 Overpaid benefit – Earned Income error
Cell 094 Rent Allowances
Cell Total: £29,385,871
Cell Total £3,310,054 – sub population
Cell Population: 7,052 cases
Cell Population: 1,000 cases – sub population

In 2018/19 and previous subsidy periods it was identified that the Local Authority had calculated benefit using the incorrect earned income. During our initial testing of 20 cases, three cases (value £12,164) 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:

- two cases which resulted in an overpayment of housing benefit to a total of £82 in 2019/20 due to miscalculating the claimants earned income. The errors ranged from 4.08 to 78.21
- three cases which resulted in an underpayment of housing benefit to a total of £59.79 in 2019/20 due to miscalculating the claimants earned income. 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 extrapolation purposes.
- one case with incorrect earned income which had no impact on the subsidy claimed. As there is no eligibility to subsidy for benefit which has not been paid, the 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:	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 3 cases	Incorrect earned income	£29,385,871	£0	£12,164		
CAKE sample – 40 cases	Incorrect earned income	£3,310,054	£82	£136,141		
Combined sample - 43 cases	Incorrect earned income	£3,310,054	£82	£148,305	0.06%	£1,986
Corresponding adjustment	Cell 102 is Overstated	£3,310,054	£82	£148,305	0.06%	£(1,986)
Total corresponding adjustment:	Cell 113 is understated					£1,986

Cell 094 Overpaid benefit – Self employed earned Income error**Cell 094 Rent Allowances****Cell Total: £29,385,871****Cell Total £1,209,470.71 – sub population****Cell Population: 7,052 cases****Cell Population: 287 cases – sub population**

In 2018/19 and previous subsidy periods it was identified that the Local Authority had calculated benefit using the incorrect self-employed earned income. During our initial testing of 20 cases, one case (value £3,730) where the assessment was based on self-employed earned income was 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:

- two cases which resulted in an overpayment of housing benefit to a total of £251 in 2019/20 due to miscalculating the claimants' self-employed earned income. The errors ranged from 94.22 to 156.42
- six cases which resulted in an underpayment of housing benefit to a total of £3,681.73 in 2019/20 due to miscalculating the claimants self-employed earned income. 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 extrapolation purposes.
- six cases with incorrect self-employed earned income which had no impact on the subsidy claimed. As there is no eligibility to subsidy for benefit which has not been paid, the 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:	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 1 case	Combined results for initial sample	£29,385,871	£0	£3,730		
CAKE sample – 40 cases	Cell 103 overstated Cell 113 understated	£1,209,471	£251	£158,438		
Combined sample - 41 cases	Incorrect income calculation	£1,209,471	£251	£162,168	0.15%	£1,814
Corresponding Adjustment:	Cell 103 overstated	£1,209,471	£251	£162,168	0.15%	£(1,814)
Total corresponding adjustment	Total understatement of cell 113					£1,814

Cell 094 Overpaid benefit – Tax Credits error
Cell 094 Rent Allowances
Cell Total: £29,385,871
Cell Total £7,250,259 – sub population
Cell Population: 7,052 cases
Cell Population: 1,772 cases – sub population

In 2018/19 and previous subsidy periods it was identified that the Local Authority had incorrectly applied working tax credits and child tax credits in respect of Cell 94 Rent Allowance claims. During our initial testing of 20 cases, four cases (value £15,984) included tax credits and two cases were identified that had been calculated using the incorrect tax credits figures which gave rise to an overpayment of £123.80 and underpaid benefit of £84.96.

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. This additional testing identified:

- four cases which resulted in an overpayment of housing benefit to a total of £49 in 2019/20 due to miscalculating the claimants earned income. The errors ranged from 0.70 to 37.22
- three cases which resulted in an underpayment of housing benefit to a total of £24.93 in 2019/20 due to miscalculating the claimants earned income. 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 extrapolation purposes.
- four cases with incorrect self-employed earned income had no impact on the subsidy claimed. As there is no eligibility to subsidy for benefit which has not been paid, the 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:	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 4 cases	Incorrect tax credits	£29,385,871	£124	£15,894		
CAKE sample – 40 cases	Incorrect tax credits	£7,250,259	£49	£133,039		
Combined sample – 44 cases	Incorrect tax credits	£7,250,259	£173	£148,933	0.12%	£8,700
Corresponding adjustment	Cell 102 is overstated	£7,250,259	£12	£148,933	0.01%	£(725)
Corresponding adjustment	Cell 103 is overstated	£7,250,259	£161	£148,933	0.11%	£(7,975)
Total corresponding adjustment	Total understatement of Cell 113					£8,700

Cell 094 Overpaid benefit – Pension credits savings credits error**Cell 094 Rent Allowances****Cell Total: £29,385,871****Cell Total £1,536,363 – sub population****Cell Population: 7,052 cases****Cell Population: 369 cases – sub population**

In 2018/19 and previous subsidy periods it was identified that the Local Authority had incorrectly applied pension credits savings credits in respect of Cell 94 Rent Allowance claims. During our initial testing of 20 cases, two cases (value £9,668) where the assessment was based on pension credit savings credits 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 were tested in relation to the pension credits savings credits used. This additional testing identified 5 cases which had resulted in an underpayment of housing benefit to a total of £112.64 in 2019/20 due to miscalculating the claimants pensions credit savings credit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

Cell 114 Expenditure misclassification**Cell Total: £415,741****Cell Population: 1,592 cases****Headline Cell Total: £29,385,871**

In 2018/19 and previous subsidy periods it was identified that the Local Authority had incorrect entries in cell 114, both those where expenditure was classified as eligible rather than LA error in respect of Cell 94 Rent Allowance claims and those where the expenditure was misclassified as an overpayment. During our initial testing of 20 cases, two cases (value £10) was identified as including cell 114 entries 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:

- five cases which resulted in misclassification of overpayments.. Cell 114 included overpayments that should have been classified as Cell 113 LA error and administrative delay eligible overpayments to a total of £4,781 in 2019/20 due to incorrectly classifying the overpayments.
- one case identified that the expenditure should not have been an overpayment due to incorrect calculation dates used to a total of £350 in 2019/20 due to incorrect overpayment calculations. Cell 102 was therefore understated by the same amount.
- one case which included both an overstatement of cell 114 due to incorrect calculation dates used, with £1,903 incorrectly included as an overpayment that should have been included in cell 102 and misclassification of overpayments between LA error and eligible error to the value of £644 impacting cell 113.
- one case which included both an overstatement of cell 114 due to incorrect calculation dates used, with £410 incorrectly included as an overpayment that should have been included in cell 103 and misclassification of overpayments between LA error and eligible error to the value of £225 impacting cell 113.

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 X CT]
Initial sample – 2 cases	Combined results for initial sample.	£29,385,871	£0	£10		
Additional testing sample – 40 cases	Cell 114 overstated. Cell 113 understated.	£415,741	£8,314	£52,332		
Combined sample – 42 cases	Combined sample. Cell 114	£415,741	£8,314	£52,342	15.88%	£(66,020)
Corresponding adjustment	Cell 113 is understated	£415,741	£5,651	£52,342	10.80%	£44,900
Corresponding adjustment	Cell 102 is understated	£415,741	£2,253	£52,342	4.30%	£17,877
Corresponding adjustment	Cell 103 is understated	£415,741	£410	£52,342	0.78%	£3,243
Total corresponding adjustment	Total overstatement of Cell 114					£(66,020)

Appendix B Observations

There are no observations to report.

Appendix C: Amendments to the claim form MPF720A**Cell 114 Expenditure misclassification**

Cell Total: £415,741

Cell Population: 1,592 cases

Headline Cell Total: £29,385,871

Further testing of incorrect self-employed earned income identified one case where the split between eligible errors and LA errors was incorrect leading to cell 114 being overstated by £441. Additional testing has already been undertaken in relation to this error, as reported in Appendix A

Cells 114 and 113 have been amended on form MPF720a dated 23 February 2021. Cell 94 remains unchanged.

Appendix D: Additional issues

There are no observations to report.