

Our ref: SSDC/HBAP Report/2020-21
Your ref:

Housing Benefit Unit
Housing Delivery Division
DWP Business Finance & Housing Delivery Directorate
Room B120D
Warbreck House
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Lancashire
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27 September 2022

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cc. Section 151 Officer of South Somerset District Council

Housing Benefit (Subsidy) Assurance Process 2020/21

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.

To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.

And: The Section 151 Officer of South Somerset District Council

This report is produced in accordance with the terms of our engagement letter with South Somerset District Council dated 22 March 2022 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 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 28 April 2021.

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 upon 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 the 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 copy of form MPF720A 2020/21 received from the Deputy Section 151 Officer's verifiable email address and dated 28 April 2021 by the Deputy Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the 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 April 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 the 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

There were no entries relating to Non HRA Rent Rebates during 2020/21

Cell 055 HRA Rent Rebate

South Somerset District Council does not have any HRA properties, therefore there are no entries in the HRA Rent Rebate cells on form MPF720A.

Cell 094 Rent Allowance

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

We have completed testing of Module 2 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 (CAKE)

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Local Authority has completed testing of the sub-populations for:

Cell 094	Rent Allowance – State Retirement Pension
Cell 094	Rent Allowance – Earned income
Cell 094	Rent Allowance – Self-employed earned income
Cell 094	Rent Allowance – Tax Credits
Cell 094	Rent Allowance – Pension Credit Savings Credit
Cell 114	Rent Allowance – Misclassification of eligible overpayments

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. These results are outlined in the appropriate appendix.

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

Cell 094	Rent Allowance – Self-employed earned income
Cell 094	Rent Allowance – Tax Credits
Cell 094	Rent Allowance – Pension Credit Savings Credit

Summary paragraph

For the form MPF720A dated 28 April 2021 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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Signature: *Grant Thornton UK LLP*

Date: 27 September 2022

Appendix A: Exceptions / errors found

Error type 3 benefit overpaid.

Cell 094 Overpaid benefit – Earned income

Cell 094 Rent Allowance - Total expenditure (Benefit Granted)

Cell Total: £28,038,385

Cell Total £2,430,118 – sub population: earned income

Cell Population: 6,328 cases

Cell Population: 689 cases – sub population: earned income

In prior year testing it was identified that the Local Authority had recorded incorrect amounts for earned income resulting in errors in the amount of benefit paid. During initial testing for 2020/21, no cases where the benefit assessment was based on earned income were identified.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases for which earned income had been used in the assessment of benefit were selected for testing. This additional testing identified:

1 case (value: £978) which resulted in an overpayment of housing benefit totalling £279 due to miscalculating earned income. The error amount has been used to calculate an extrapolated error of £4,679 as detailed in the table below with a corresponding understatement of LA error and administrative delay overpayments cell 113.

This is the eighth year that this error has been identified and reported.

Sample	Movement / brief note of error:	Original cell 094 total: sub population (claims with earned income)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – no cases	Incorrect earned income	£28,038,385	£0	£0		
CAKE sample – 40 cases	Incorrect earned income	£2,430,118	£279	£144,894		
Combined sample - 40 cases	Incorrect earned income	£2,430,118	£279	£144,894	0.19%	£4,679
Corresponding adjustment:	Cell 102 is overstated	£2,430,118	£279	£144,894	0.19%	-£4,679
Total corresponding adjustment	Total understatement of cell 113					£4,679

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

Cell 114 Expenditure misclassification – Incorrect classification of eligible overpayments

Cell Total: £269,239

Cell Population: 848 cases

Headline Cell Total: £28,038,385

In prior year testing it was identified that the Local Authority had misclassified overpayments in eligible overpayments cell 114 resulting in an overclaim of subsidy. During initial testing for 2020/21, two cases (value £100) which had entries in cell 114 were identified. No errors were identified in this testing.

However, given the nature of the population and the error found in the previous claim, an additional sample of 40 cases were selected for further testing. This additional testing identified:

1 case (value: £393) to be in error which resulted in misclassification of overpayment amounts being recorded in both current year and prior year cells which have resulted in an overclaim of subsidy. Current year eligible overpayments cell 114 is overstated by £393 and LA error and administrative delay overpayments cell 113 is correspondingly understated by the same amount. Prior year eligible overpayments cell 121 is overstated by £2,761 and prior year LA error and administrative delay overpayments cell 120 is correspondingly understated by the same amount. There is no effect on the headline cell 094. The value of the current year cell error amount noted above has been used to calculate that the value in cell 114 is overstated by £6,284 with a corresponding understatement of cell 113 by the same amount. This value is derived from the extrapolation table noted below.

1 case (value: £52) to be in error in which payments were misclassified which has resulted in an overclaim of subsidy. It has been identified that eligible overpayments cell 114 is understated by £70 and that cell 102 is correspondingly overstated by the same amount.

This is the sixth year that this error has been identified and reported.

Sample	Movement / brief note of error:	Original cell 114 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	Misclassification of eligible overpayments	£269,239	£0	£100		
CAKE sample – 40 cases	Misclassification of eligible overpayments	£269,239	£393	£16,737		
Combined sample - 42 cases	Misclassification of eligible overpayments	£269,239	£393	£16,837	2.33%	£6,284
Corresponding adjustment:	Cell 114 is overstated					-£6,284
Corresponding adjustment	Total understatement of cell 113					£6,284

Appendix B: Observations

Error type 1 Underpaid benefit.

Cell 094 Underpaid benefit – State Retirement Pension.

Cell 094 Rent Allowance - Total expenditure (Benefit Granted)

Cell Total: £28,038,385

Cell Total £7,008,275 – sub population: State Retirement Pension.

Cell Population: 6,328 cases

Cell Population: 1,802 cases – sub population: State Retirement Pension.

In prior year testing it was identified that the Local Authority had incorrectly applied State Retirement Pension resulting in an overpayment of benefit paid. During initial testing for 2020/21, four cases (value: £15,700) where the benefit assessment was based on State Retirement Pension were identified. No errors were identified in this testing.

However, given the nature of the population and the error found in the previous claim, an additional sample of 40 cases for which State Retirement Pension had been used in the assessment of benefit were selected for testing. This additional testing identified:

3 cases (total value: £7,811) which resulted in an underpayment of housing benefit of £3,083 and 2 cases (total value: £9,800) which had no effect on benefit paid. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment cases and the nil impact cases identified do not affect and have not, therefore, been classified as errors for subsidy purposes.

Appendix C: Amendments to the claim form MPF720A

There are no amendments to report.

Appendix D: Additional issues

There are no additional issues to report.