



Our Ref: GT/MBC/BEN01
Your Ref: MPF720A

Department for Work and Pensions
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14 December 2018

Dear Sir / Madam

Maidstone Borough Council
Housing Benefit subsidy claim for the year ended 31 March 2018 (Form MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated 14 December 2018

Details of the matters giving rise to our qualification of the above claim are set out in the Appendix to this letter.

The factual content of our qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

A handwritten signature in blue ink that reads "Grant Thornton UK LLP".

Grant Thornton UK LLP

Cell 94 – Incorrect Calculation of Earnings (Earned Income and Self-Employed Earnings)

Cell 94: Rent Allowances – Total Expenditure (Benefit Granted)

Cell Total: £45,491,175

Cell Population: 9,894

Cell Total: £8,756,238

Cell Population: 2,081 – sub population (SP)

Headline Cell: £45,491,175

Testing of the initial sample identified:

- one case (value £4,084) where the Council's incorrect calculation of the claimant's weekly earned income had no impact on the claimant's benefit entitlement for the period in question.

As this error had no impact on the claimant's benefit entitlement it has not been treated as an error for subsidy purposes. However as this type of error can cause overpayments, a further sample of 40 cases was tested. This additional testing identified:

- four cases (value of £11,585) where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly earned income. The value of these overpayments was £540. The effect of these errors is to overstate Cells 95, 102 and 103 with a corresponding understatement of Cell 113; there is no effect on Cell 94.
- one case (value of £5,492) where the Authority had underpaid benefit as a result of miscalculating the claimant's weekly earned income. The value of this underpayment is £3. As there is no eligibility to subsidy for benefit that has not been paid, the underpayment identified does not effect subsidy and has not been classified as an error for subsidy purposes

The results of our testing are set out in the following table:

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 SP]
Initial sample – 4 cases	Incorrect Earned Income Applied – Cell 94 Overstated	£8,756,238	£0	£15,427		
Additional sample - 40 cases	Incorrect Earned Income Applied – Cell 94 Overstated	£8,756,238	£540	£127,042		
Combined sample - 44 cases	Combined sample – Cell 94 overstated due to incorrect Eligible Rent Application	£8,756,238	(£540)	£142,469	0.38%	(£33,189)
Adjustment	Combined sample - Cell 95 Overstated	£8,756,238	(£14)	£142,469	0.01%	(£860)
Adjustment	Combined sample - Cell 102 Overstated	£8,756,238	(£13)	£142,469	0.01%	(£799)
Adjustment	Combined sample - Cell 103 Overstated	£8,756,238	(£513)	£142,469	0.36%	(£31,530)
Total corresponding adjustment	Total understatement of Cell 113					(£33,189)

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £13 to £457, and the benefit periods range from 2 weeks to 25 weeks. This is the first year that this error has been identified within the claim.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow for a conclusion that it is fairly stated.

Cell 114 - Incorrect Classification of Eligible Overpayments

Cell 114: Rent Allowances – Eligible Overpayments

Cell Total: £806,714

Cell Population: 3,260 cases

Headline Cell: £45,491,175

Our testing in the prior year identified that the Council had incorrectly classified Overpayments as Eligible when they should have been classified as Local Authority and Administration Error. No errors of this type were identified during our initial testing of 20 cases, but as this area was brought forward as part of our CAKE Testing a 40+ workbook was required in 2017-18.

Testing of an additional sample of 40 cases identified:

- two cases (total value of £37) where the overpayments had been incorrectly classified as an Eligible Overpayment, when it should have been classified as an LA Error and Administrative Delay Overpayment. The value of these misclassifications is £14. The effect of these misclassifications is that Cell 114 is overstated and Cell 113 is understated; there is no effect on Cell 94.

The results of our testing are set out in the table below:

Sample	Movement / brief note of error	Original cell total	Sample error	Sample value	Percentage error rate (to one decimal place)	Cell adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times SP]
Initial sample – 1 case	No errors identified in the Initial Testing	£806,714	£0	£79		
Additional sample - 40 cases	Misclassification – Cell 114 overstated and Cell 113 understated due to incorrect classification of Overpayments	£806,714	£14	£13,441		
Combined sample - 41 cases	Misclassification – Cell 114 overstated and Cell 113 understated due to incorrect classification of Overpayments	£806,714	(£14)	£13,520	0.1%	(£835)
Adjustment	Combined sample - Cell 113 Understated	£806,714	(£14)	£13,520	0.1%	(£835)
Total corresponding adjustment	Total overstatement of Cell 114					£835

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £4 to £10, and the benefit period is three weeks for both cases. This is the second year that this error has been identified within the claim.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Observations

Cell 11 – Incorrect Duplication of Benefit Award

Cell 11: Rent Rebates (Tenants of Non-HRA properties) Total expenditure

Cell total: £515,943

Cell population: 413

Headline cell: £515,943

Our initial testing identified one case (total value of £826) where the Council had awarded benefit on a weekly and monthly basis for March 2018, resulting in an overpayment of benefit totalling £265. Due to the nature of this error, the Council ran a report to confirm that no other cases within Cell 11 were affected by the same error. The Council have subsequently posted an adjustment in the 2018-19 Claim for this error, and hence the error remains unadjusted in the 2017-18 Claim Form.

Cell 94 – Missing Evidence for Water Rate Deduction

Cell 94: Rent Allowances – Total Expenditure (Benefit Granted)

Cell Total: £45,491,175

Cell Population: 9,894

Headline Cell: £45,491,175

Our initial testing identified one case (total value of £3,756) where the Council was unable to evidence a £1 Water Rate Deduction which had been applied to the Claim. The impact of this deduction is to reduce the claimant's benefit entitlement during the period in question, and thus benefit has been underpaid for the period in question.

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 an error for subsidy purposes. Given that this type of error can only ever lead to an underpayment of benefit, we have not undertaken 40+ testing in this area, and no further action has been taken by the Council in respect of this area either.

Cell 94 – Incorrect Calculation of Tax Credits

Cell 94: Rent Allowances – Total Expenditure (Benefit Granted)

Cell Total: £45,491,175

Cell Population: 9,894

Cell Total: £9,569,299 – sub population (SP)

Cell Population: 2,113 – sub population (SP)

Headline Cell: £45,491,175

Testing of the initial sample identified:

- one case (value £4,507) where the Council had included the incorrect Working and Child Tax Credits on the Claim during a period in the year, leading to an underpayment of benefits. The value of this underpayment is £1. As there is no eligibility to subsidy for benefit that has not been paid, the underpayments identified do not affect subsidy and have not, been classified as an error for subsidy purposes.

However, because errors on Tax Credits could result in overpayments, an additional random sample of 40 Cases (total value of £128,743) was tested. No further errors were identified.

No similar findings have been included in my previous qualification letters.