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**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 Maidstone Borough Council

**Housing Benefit (Subsidy) Assurance Process 2018/19 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 the dated 29 June 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 Maidstone Borough 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 2018/19.

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, 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 Rebates

Cell 011 Non HRA Rent Rebate Incorrect application of Family premium

Initial Testing of Cell 011 identified 1 claim where the Local Authority had the family premium incorrectly applied resulting in an overpayment of benefit. The Authority identified all claims with family premium in Cell 011 and has tested each claim.

Cell 011 - Non HRA Rent Rebate Incorrect classification of eligible overpayments

Initial Testing of Cell 011 identified 1 claim where the Local Authority has incorrectly classified an overpayment as eligible. The Authority reviewed all eligible overpayments in Cell 011 and has tested each claim.

Cell 011 - Non HRA Rent Rebate Incorrect calculation of earnings

Initial Testing of Cell 011 identified 1 claim that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. The Authority identified all earnings claims in Cell 011 and has tested each claim.

Cell 011 Non HRA Rent Rebate Incorrect calculation of working tax credit

Initial Testing of Cell 011 identified 1 claim that the Local Authority has incorrectly calculated working tax credit resulting in an underpayment of benefit. The Authority identified all tax credit claims in Cell 011 and has tested each claim.

Cell 094 Rent Allowance

No claims were found to be in error.

Completion of Modules

Completion of Module 2

We have completed our testing of Module 2 the checklist of the annual uprating for benefits. We can confirm that:

- the benefit parameters and allowances have been updated to reflect annual uprating; and
- these parameters and allowances have been applied to the calculation of benefit entitlement and subsidy claimed.

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 094 overpaid Benefit earned income and self-employed income calculation error
- Rent Allowances cell 094 incorrect calculation of tax credits
- Rent allowance cell 114 Eligible error overpayment classification

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 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 Appendix A, B C and D.

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Signature

Date...31 December 2019

Appendix A Exceptions/errors found

Cell 094 Overpaid benefit - Incorrect calculation of tax credit

Cell 094: Rent Allowances total expenditure

Cell Total: £45,241,163

Cell Total £11,378,346– sub population

Cell Population: 9,541 cases

Cell Population: 2,629 cases – sub population

In 2017/18 it was identified that the Local Authority had included the incorrect Working and Child Tax Credits resulting in an underpayment of benefit. During our initial testing, 4 cases (value £15,127) where the assessment included tax 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 where an assessment in the subsidy period was based upon tax credits was tested. This additional testing identified:

- 1 case which resulted in an overpayment of housing benefit to a total of £50 in 2018/19 due to the omission of Child Tax Credit.
- 2 cases which had resulted in an underpayment of housing benefit to a total of £80 in 2018/19 due to the incorrect tax credits figure being used and / or lack of evidence to support the tax credit figure. 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 following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with tax credit)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 4 cases	Incorrect calculation of tax credits	£11,378,346	£0	£15,127		
Additional testing sample – 40 cases	Incorrect calculation of tax credits	£11,378,346	£50	£155,562		
Combined sample - 44 cases	Incorrect calculation of tax credits	£11,378,346	£50	£170,689	0.03%	£3,413
Corresponding adjustment:	Cell 103 is overstated	£11,378,346	£50	£170,689	0.03%	(£3,413)
Total corresponding adjustment	Total understatement of Cell 113					£3,413

Cell 094 Overpaid benefit – Earned Income and self-employed income calculation error**Cell 094: Rent allowances total expenditure****Cell Total: £45,241,163****Cell Total £14,240,956 – sub population****Cell Population: 9,541 cases****Cell Population: 3,470 cases – sub population****Headline Cell: £45,241,163**

In 2017/18 it was identified that the Local Authority has incorrectly calculated earned income and self-employed income resulting in an overpayment of benefit. During our initial testing, 6 cases (value £16,356) where the assessment was based on earned income / self-employed 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 £390 in 2018/19 due to miscalculating the claimants income. The errors ranged from £1 to £268.
- 2 cases which had resulted in an underpayment of housing benefit to a total of £118 in 2018/19 due to miscalculating the claimants 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.

Within the 3 overpayment cases, one error was identified resulting in the calculation of eligible error in Cell 114. This was correctly classified as eligible error due to claimant error but the LA used an incorrect calculation resting in overstatement of Cell 114 and understatement of Cell 113. We have excluded this element from the extrapolation table below.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to four decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 6 cases	Incorrect Income Calculation	£14,240,956	£0	£16,356		
CAKE sample – 40 cases	Incorrect Income Calculation	£14,240,956	£391	£180,491		
Combined sample - 46 cases	Incorrect Income Calculation	£14,240,956	£391	£196,847	0.198%	£28,254
Corresponding adjustment:	Cell 103 is overstated	£14,240,956	£390	£196,847	0.14%	(£23,211)
Corresponding adjustment:	Cell 102 is overstated	£14,240,956	£1	£196,847	0.0003%	(£43)
Total corresponding adjustment	Total understatement of Cell 113					£28,254

Cell 114 Expenditure misclassification – Incorrect classification of eligible overpayments**Cell Total: 833,701****Cell population 3,037****Headline Cell: £45,241,163**

It was identified in the 2016/17 and 2017/18 claim and reported in the qualification letter last 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 7 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 5 cases (total value £180) where the dates have been incorrectly applied and part of the overpayment should have been classified in cell 113 (LA error overpayments) 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 £2 to £131.

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 - 7 cases	Combined results for initial sample.	£833,701	£0	£1,500		
Additional sample - 40 cases	Cell 114 overstated. Cell 113 understated	£833,701	£180	£19,435		
Combined sample 47 cases	Combined sample. Cell 114	£833,701	£180	£20,936	0.86%	£7,160
Adjustment	Cell 114- administrative delay and LA error is overstated.	£833,701	£180	£20,936	0.86%	(£7,160)
Corresponding adjustment cell 113 understated	Total understatement of cell 113					£7,160

Appendix B Observations**Cell 011 Non HRA Rent rebate****Cell Total: £798,547**

The reconciliation of the headline cell 011 to the subsidy report identified a difference of £281. The total per cell 011 is £798,547 and the subsidy report stated £798,828 as the report included two cases with an imbalance. The final claim submitted for audit in April 2019 is the correct total as the misclassification error was amended before the final claim was prepared for audit.

Appendix C: Amendments to the claim form MPF720A

Error Type 4 – expenditure misclassification where benefit expenditure has been misclassified

Cell 28 Eligible Overpayments

Initial testing found 1 claim in Cell 028 classified as Eligible Overpayments that should have been classified as Cell 026 LA error and administrative delay overpayments resulting in an overpayment of £250.

Therefore, the LA tested all claims in Cell 028 and confirmed that there were two further errors in the claim that resulted in:

- 1 overpayment of £42 relating to technical error
- 1 overpayment of £11 relating to LA error

The number of cases in Cell 028 was 36 and we re-performed the test on 4 cases. The findings on those claims were correct.

Cell 028 is overstated by £303, Cell 027 is understated by £42 and Cell 026 is understated by £261. Cell 011 remains unchanged. This is reflected in the amendment made to Form MPF720a dated 17 December 2019.

Error Type 3 – benefit overpaid or insufficient supporting information.

Cell 011 Rent rebate Incorrect application of family premium

Cell 011 Non HRA Rent rebate

Cell Total: £798,547

Cell Total: £72,329 – sub population

Cell Population: 441 cases

Cell Population: 33 cases – sub population

Initial Testing of Cell 011 identified that the Local Authority has incorrectly applied family premium to 1 case resulting in an overpayment of benefit of £135. The Authority identified all claims in Cell 011 with family premium and has tested each claim.

An additional 9 claims were found to be incorrect:

- 7 cases had no impact on the amount of benefit paid
- 2 cases resulted in underpayments totalling £198.

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 amended.

We have re-performed the test on 11 cases above and the Authority's findings on those claims were correct.

Cell 014 has been overstated by £135 and Cell 026 has been understated by £135. These cells have been amended on form MPF720a dated 17 December 2019. Cell 011 remains unchanged.

Cell 011 Rent rebate Incorrect calculation of tax credits**Cell 011 Non HRA Rent rebate****Cell Total: £798,547****Cell Total £ £99,873 – sub population****Cell Population: 441 cases****Cell Population: 61 cases – sub population**

Initial Testing of Cell 011 identified that the Local Authority has incorrectly calculated the working tax credit to 1 case resulting in an underpayment of benefit of £8. As this type of error could result in overpayments additional testing was required. The Authority identified all claims in Cell 011 with tax credits and has tested each claim.

An additional 4 claims were found to be incorrect resulting in:

- 3 cases resulted in underpayments totalling £961
- 1 case resulted in no impact on subsidy.

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 amended.

We have re-performed the test on 4 cases above and the Authority's findings on those claims were correct.

Cell 011 Rent rebate Incorrect calculation of earnings**Cell 011 Non HRA Rent rebate****Cell Total: £798,547****Cell Total £ £97,689 – sub population****Cell Population: 441 cases****Cell Population: 70 cases – sub population**

Initial Testing of Cell 011 identified that the Local Authority has incorrectly calculated earnings in relation to 1 case resulting in an overpayment of benefit of £3. The Authority identified all claims in Cell 011 with earnings and has tested each claim. We initially re-performed the test on 13 cases but found that Authority's findings on were not all correct. We therefore expanded our testing to 100% of the population.

A total of 15 further claims were found to be incorrect resulting in:

- 5 overpayments totalling £8
- 5 underpayments totalling £527
- 5 cases with no impact on overall subsidy

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 amended.

Cell 012 is overstated by £5, Cell 014 is overstated by £4 and Cell 026 is understated by £9. Cell 011 remains unchanged. This is reflected in the amendment made to Form MPF720a dated 17 December 2019.

Appendix D Additional issues

None to report.