

# Maidstone Borough Council HBAP Report

**Housing Benefit (Subsidy) Assurance Process 2019/20 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**

**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, Section 151 Officer.**

This report is produced in accordance with the terms of our engagement letter with the Maidstone Borough Council dated 29 June 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 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 23 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 23 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 April 2020, 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 Rebate Incorrect application of Non-dependant Deduction

1 claim had other income incorrectly applied in a case in receipt of ESA. The level of other income was incorrectly calculated. The Authority reviewed all claims in receipt of ESA and other income and has tested each claim.

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

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**

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:

Non HRA Rent Rebate Cell 028 – misclassification of an overpayment

Non HRA Rent Rebate Cell 011 – incorrect calculation of earnings

Non HRA Rent Rebate Cell 011 – incorrect application of family premium

Non HRA Rent Rebate Cell 011 – incorrect calculation of working tax credit

Rent allowances Cell 094 – incorrect calculation of tax credits

Rent allowances Cell 094 – overpaid benefit earned income and self employed income calculation error

Rent allowance cell 114 – incorrect classification of eligible overpayments

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:

Non HRA Rent Rebate Cell 011 – incorrect calculation of tax credits

Rent allowance cell 114 – incorrect classification of eligible overpayments

**Summary paragraph/ending of letter**

For the form MPF720A dated 23 April 2020 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.

Firm of accountants.....GRANT THORNTON UK LLP.....

Office.....LONDON.....

Contact details (person, phone and email) .....paul dossett – 020-7728-3180  
paul.dossett@uk.gt.com.....

Signature / stamp..... 

Date.....08/03/2021.....

## Appendix A Exceptions/errors found

*Error Type 3 – benefit overpaid or insufficient supporting information.*

### **Cell 094 Overpaid benefit – Earned Income and self employed income calculation error**

**Cell 094: Rent allowances total expenditure**

**Cell Total: £38,235,497**

**Cell Total £6,882,342 – sub population**

**Cell Population: 7,984 cases**

**Cell Population: 1,617 cases – sub population**

**Headline Cell: £38,235,497**

In 2017/18 and 2018/19 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, 5 cases (value £30,320) 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:

2 cases which resulted in an overpayment of housing benefit to a total of £55 in 2019/20 due to miscalculating the claimants earned income. The errors ranged from £7 to £48.

3 cases which had resulted in an underpayment of housing benefit to a total of £57 in 2019/20 due to miscalculating the claimants earned income. 1 case which had resulted in nil impact on benefit paid. 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.

This is the third year that this error has been identified in the HBAP Report.

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 X CT]
<b>Initial sample – 5 cases</b>	Incorrect Income Calculation	£6,882,342	£0	£30,320		
<b>CAKE sample – 40 cases</b>	Incorrect Income Calculation	£6,882,342	£55	£163,132		
<b>Combined sample - 45 cases</b>	Incorrect Income Calculation	£6,882,342	£55	£193,452	0.03%	£1,992
<b>Corresponding adjustment:</b>	Cell 102 is overstated	£6,882,342	£7	£193,452	0.01%	-£255
<b>Corresponding adjustment:</b>	Cell 103 is overstated	£6,882,342	£39	£193,452	0.02%	-£1,394
<b>Corresponding adjustment:</b>	Cell 113 is overstated	£6,882,342	£1	£193,452	0.01%	-£29
<b>Corresponding adjustment:</b>	Cell 114 is overstated	£6,882,342	£8	£193,452	0.00%	-£313
<b>Total corresponding adjustment</b>	Total understatement of Cell 113					£1,992

*Error Type 3 – benefit overpaid or insufficient supporting information.*

**Cell 094 Overpaid benefit – Incorrect calculation of tax credit**

**Cell 094: Rent allowances total expenditure**

**Cell Total: £38,235,497**

**Cell Total £6,475,161 – sub population**

**Cell Population: 7,984 cases**

**Cell Population: 1,454 cases – sub population**

**Headline Cell: £38,235,497**

In 2017/18 and 2018/19 it was identified that the Local Authority had included incorrect Working and Child Tax Credit resulting in underpayment or overpayment of benefit. During our initial testing, 5 cases (value £30,320) 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:

1 case which resulted in an overpayment of housing benefit to a total of £1 in 2019/20 due to the incorrect value of Working Tax Credit being applied.

3 cases which had resulted in an underpayment of housing benefit to a total of £400 in 2019/20 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.

This is the third year that this error has been identified in the HBAP Report.

<b>Sample</b>	<b>Movement / brief note of error:</b>	<b>Original cell total: sub population (claims with earning)</b>	<b>Sample error:</b>	<b>Sample value:</b>	<b>Percentage error rate (to two decimal places)</b>	<b>Cell adjustment:</b>
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
<b>Initial sample – 5 cases</b>	Incorrect calculation of tax credits	£6,475,161	£0	£30,320		
<b>CAKE sample – 40 cases</b>	Incorrect calculation of tax credits	£6,475,161	£1	£180,182		
<b>Combined sample - 45 cases</b>	Incorrect calculation of tax credits	£6,475,161	£1	£210,503	0.01%	£31
<b>Corresponding adjustment:</b>	Cell 103 is overstated	£6,475,161	£	£210,503	0.01%	-£31
<b>Total corresponding adjustment</b>	Total understatement of Cell 113					£31

## Appendix B Observations

*Error Type 3 – benefit overpaid or insufficient supporting information.*

### **Cell 011 Overpaid benefit – Incorrect application of family premium**

**Cell 011 Non HRA Rent rebate**

**Cell Total: £975,311**

**Cell Total £56,487– sub population**

**Cell Population: 469 cases**

**Cell Population: 19 cases – sub population**

In 2018/19 it was identified that the Local Authority has incorrectly applied family premium resulting in an overpayment of benefit. In 2019/20, the Authority identified all cases in cell 11 with family premium and has tested each claim. We initially re-performed the test on 2 cases but found that the Authority's findings were not all correct. The client reviewed all the remaining cases and amended 5 cases. However this was on the basis they had originally been assessed as passed as although the family premium was included incorrectly the cases were passported and there was no impact on the benefit. We confirmed this was the reason for the amendments to the assessment and expended testing to an additional 10% plus the amended cases.

A total of 5 claims were found to be incorrect however there was nil impact as 4 cases were passported and 1 case received income lower than the applicable amount. 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 and no amendment made.

However as this type of error could result in an overpayment this has been included in CAKE for 2020/21.

*Error Type 3 – benefit overpaid or insufficient supporting information.*

### **Cell 011 Overpaid benefit – Incorrect calculation of earnings**

**Cell 011 Non HRA Rent rebate**

**Cell Total: £975,311**

**Cell Total £58,375– sub population**

**Cell Population: 469 cases**

**Cell Population: 31 cases – sub population**

In 2018/19 it was identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. The Authority identified all cases in 2019/20 Cell 011 with earnings and has tested each claim.

No further errors were identified. We have re-performed the test on 3 cases and the Authority's findings on those claims were correct.

A total of 1 claim was found to be incorrect however there was nil impact on the amount of benefit 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 and no amendment made.

However as this type of error could result in an overpayment this has been included in CAKE for 2020/21.

*Error Type 3 – benefit overpaid or insufficient supporting information.*

**Cell 011 Overpaid benefit – Incorrect calculation of other income with ESA**

**Cell 011 Non HRA Rent rebate**

**Cell Total: £975,311**

**Cell Total £2,178– sub population**

**Cell Population: 469 cases**

**Cell Population: 4 cases – sub population**

Initial testing of Cell 011 in 2019/20 identified that the Local Authority has included an amount in other income to ensure the correct level of ESA was applied that was incorrect resulting in an underpayment. The Authority identified all claims in Cell011 with ESA and other income and has tested each claim.

No further errors were identified. We have re-performed the test on 1 case and the Authority's findings on those claims were correct.

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 and no amendment has been made.

However as this type of error could result in an overpayment this has been included in CAKE for 2020/21.

## Appendix C: Amendments to the claim form MPF720A

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

### **Cell 028 Eligible overpayments Cell Total £7,197– sub population Cell Population: 21 cases**

In 2018/19 it was identified that the Local Authority had classified eligible overpayments in Cell 028 that should have been classified as Cell 026 LA error and administrative delay overpayments. In 2019/20, the Authority identified all cases in cell 028 and has tested each claim.

A total of 1 claim was found to be incorrect. Cell 028 was found to be overstated by £159 and Cell 027 was understated.

A total of 1 claim was found to include an overpayment relating to discretionary housing payments and was incorrectly included in cell 028. Cell 028 was found to be overstated by £260 and cell 011 was overstated.

We have re-performed the test on 6 cases and the Authority's findings on those claims were correct.

Cells 011, 27 and 28 have been amended on form MPF720a approved 4 March 2021.

During the reperformance of 1 claim it was identified that the amount of carers premium was recorded incorrectly resulting in understated benefit. This has been included in Appendix D.

## Appendix D Additional issues

During initial testing of the we were not able to verify the initial claim form and / or the rent liability in 6 cases as they had been removed from the system under the Council's data protection policy due to the age of the information. We have not concluded that these cases are fails as this was in line with the council's internal policy and there is requirement for a review to be undertaken within a particular timescale.