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26 March 2024

Housing Benefit (Subsidy) Assurance Process 2021/22

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 2022

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

lawelfare.lapaymentsandsubsidy@dw.gov.uk.

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 Maidstone Borough Council dated 29th June 2018 and the standardised engagement terms in Appendix 2 of HBAP Module 1 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 29th April 2022.

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 2021/22

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 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 copy of form MPF720A received from the section 151 officers verifiable email address and dated 29th April 2022 by the 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 29 April 2022, 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 payment of benefit in period where claim should not have been paid.

Initial Testing of Cell 011 identified that in one claim the Local Authority had incorrectly paid a five period where the claimant had left the property and so benefit should have been stopped and classed as a technical overpayment, however this was not done leading to an overstatement of benefit for the case in period.

Cell 011 Non HRA Rent – incorrect classification of benefit.

Initial Testing of Cell 011 identified that in one claim the Local Authority had incorrectly paid a claim under cell 011 Non HRA rent rebates when it should have been classified as cell 094 Rent allowance.

Cell 055 HRA rent rebate.

The Council does not have any HRA Rent Rebates cases, therefore no work was required in this area.

Cell 094 Rent Allowance – Incorrect rent amounts

Initial Testing of Cell 094 identified that in two claims the Local Authority had made errors in the application of rent amounts to cases, leading to overpayments in benefits, additional testing was performed on this error in year.

Cell 094 Rent Allowance – Incorrect Tax credits amount

Initial Testing of Cell 094 identified that in two claims the Local Authority had made errors in the application of Tax credit amounts to cases, leading to overpayments in benefits. This error is covered by CAKE testing from 2020-21 and so additional testing has been completed for this error.

Cell 214 Modified Schemes

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 1 Appendix 3

- We have completed Module 1 Appendix 3 Specific test requirements; we identified that the Local authority has not got a Modified schemes policy for the year approved by full Council. This is noted as an observation in Appendix B.

Completion of Module 2

- We have tested the parameters which the authority has uprated on its system against the uprating checklist 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

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 011: Incorrect calculation of earnings.
- Non HRA Rent Rebate Cell 028: Misclassification of overpayments.
- Rent Allowances Cell 094: Incorrect calculation of tax credits.
- Rent Allowances Cell 094: Earned income and self-employed income calculation errors.

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 earnings.

Summary paragraph/ending of letter.

For the form MPF720A dated 06 June 2023 for the year ended 31 March 2022 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: Fisbury Square

Contact details (person, phone, and email): Nicholas White, +442077283357, nicholas.j.white@uk.gt.com

Signature / stamp:

Date: 27 March 2023

Appendix A Exceptions/errors found.

Error Type 3 – benefit overpaid or insufficient supporting information.

Cell 094 Overpaid benefit – Incorrect calculation of tax credits

Cell Total: £32,374,777

Cell Total £4,386,149 – sub population

Cell Population: 5,974 cases

Cell Population: 880 cases – sub population

As a part of our testing in 2019/20 and 2020/21 it was identified that the Local Authority has incorrectly calculated tax credits resulting in an overpayment of benefit. During our initial testing, 2 cases (total value £10,195) where the assessment was based on Tax credits were tested and one error was identified. Two claims (values of £5,513) where tax credits had been incorrectly calculated led to an overpayment of £1.

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:

One case (value of £5,885) which resulted in an Overpayment of housing benefit to a total of £2,349 in 2021/22 due to miscalculating the claimant's tax credits.

One case (value of £3,709) which resulted in an Underpayment of housing benefit to a total of £313 in 2021/22 due to miscalculating the claimant's tax credits. 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.

We reformed the work on six cases and agreed our results with the work performed by the client.

This is the third year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings:

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 times CT]
Initial sample – 2 cases	Tax Credits incorrectly input / assessed Cell 102	£4,386,149	£1	£10,195		
Additional testing sample – 40 cases	Tax Credits incorrectly input / assessed Cell 102	£4,386,149	£3,249	£214,119		
Combined sample - 42 cases	Tax Credits incorrectly input / assessed Cell 102	£4,386,149	£3,251	£224,314	1.4489%	£63,549
Corresponding adjustment:	Combined sample - Cell 102 is overstated					£63,549
	Combined sample - Cell 113 is understated					£63,549
Total corresponding adjustment	Total amendment of Cell 102 and 113					£63,549

Cell 094 Rent allowances: Overpaid benefit –: Earned income and self-employed income calculation errors.**Cell Total: £32,374,777****Cell Total £4,653,699– sub population****Cell Population: 5,974 cases****Cell Population: 920 cases – sub population**

As a part of our testing in 2019/20 and 2020/21 it was identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. During our initial testing, 2 cases (total value £10,195) 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 or self-employed earned income was tested. This additional testing identified:

Three cases (Values of £15,525, £6,640, and £3,956) which resulted in an overpayment of housing benefit to a total of £321 in 2019/20 due to miscalculating the claimant's earned income. The errors ranged from £8 to £223.

Three cases which resulted in an Underpayment of housing benefit to a total of £22 in 2021/22 due to miscalculating the claimant's earned income. The errors ranged from £1 to £20. 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.

We reformed the work on ten cases and agreed our results with the work performed by the client.

This is the third year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings:

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 – 2 cases	Incorrect Income Calculation	£4,653,699	£0	£10,195		
CAKE sample – 40 cases	Incorrect Income Calculation	£4,653,699	£210	£206,366		
Combined sample - 42 cases	Incorrect Income Calculation	£4,653,699	£210	£216,561	0.0970%	£4,513
Corresponding adjustment:	Cell 102 is overstated					£2,106
Corresponding adjustment:	Cell 103 is overstated					£2,407
Corresponding adjustment:	Cell 113 is understated					£4,513
Total corresponding adjustment	Total adjustment between cell 102 / 103 and 113					£4,513

*Error Type 3 – Overpaid benefit***Cell 011 Non HRA Rent rebate – Incorrect classification of benefit type paid.****Cell Total: £1,028,328****Cell Total: £1,028,328 Sub population****Cell population 401 cases****Cell population 401 cases Sub population**

Initial Testing of Cell 011 for 2021/22 identified that in one case (Value of £5,877) the Local Authority has paid with the classification on Cell 011 Non-HRA Rent rebate, when the claim meets the requirements of being classified as cell 094 Rent allowance. This error was valued at £5,877. All this balance was classified as Cell 012 when it should be classified within cell 103.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases from the whole of the Cell 011 population was tested. This additional testing identified no further errors in period.

We reformed the work on four cases and agreed our results with the work performed by the client.

This is the first year of reporting this error. Testing will be carried forward as CAKE for 2022/23.

The following table is based on these findings.

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 – 20 cases	Cell 012 incorrectly classified	£1,028,328	£5,877	£55,233		
CAKE sample – 40 cases	Cell 012 incorrectly classified	£1,028,328	£0	£85,638		
Combined sample – 60 cases	Cell 012 incorrectly classified	£1,028,328	£5,877	£140,871	4.1719%	£42,901
Corresponding adjustment:	Cell 012 Overstated					£42,901
Corresponding adjustment:	Cell 103 Understated					£42,901
Total corresponding adjustment	Total adjustment between cell 012 / 103					£42,901

*Error Type 3 – Overpaid benefit***Cell 094 Rent Allowance – Incorrect Rent applied in year.****Cell Total: £32,374,777****Cell Total: £32,374,777 Sub population****Cell population 5,974 cases****Cell population 5,974 cases Sub population**

Initial Testing of Cell 094 for 2021/22 identified that in two cases (Values of £3,130, and £2,421) the Local Authority has incorrectly input the eligible rent for the case in year. These errors were valued at £1, and £54. All this balance was classified as Cell 102, and it should be transferred to Cell 113.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases from the whole of the Cell 094 population was tested. This additional testing identified one further error in period.

One case (Value £4,721) had an overstatement of £1 in cell 099 due to the incorrect rent being entered in the case. There were no other errors identified from the testing performed.

We reformed the work on five cases and agreed our results with the work performed by the client.

This is the first year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings

Sample:	Movement/ brief note of error	Original cell total:	Sample error:	Sample value:	Percentage error rate (to four decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 20 cases	Rent incorrectly input / assessed Cell 099 /102	£32,374,777	£1	£115,271		
CAKE sample – 40 cases	Rent incorrectly input / assessed Cell 099 /102	£32,374,777	£1	£204,133		
Combined sample – 60 cases	Rent incorrectly input / assessed Cell 099 /102	£32,374,777	£2	£319,404	0.0006%	£203
Corresponding adjustment:	Cell 099 Overstated					£101
Corresponding adjustment	Cell 102 Overstated					£102
Corresponding adjustment	Cell 113 understated					£203
Corresponding adjustment:	Total adjustment of cells 099/102 and 113					£203

*Error Type 3 – Overpaid benefit***Cell 011 Non HRA Rent rebate - Cancelled period of benefit paid.****Cell Total: £1,028,328****Cell Total: £1,028,328 Sub population****Cell population 401 cases****Cell population 401 cases Sub population**

Initial Testing of Cell 011 in 2021/22 identified that in one case (Value of £4,472) the Local Authority has incorrectly paid a period of benefit where the claimant had vacated the accommodation that they were staying in and had not classified this as a technical overpayment in year. This error was valued at £90. All this balance was classified as Cell 012 when it should be classified within cell 028, however as this is an error not identified by the Local authority in period the extrapolation has been applied to Cell 026.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases from the whole of the Cell 011 population was tested. This additional testing identified no further errors in period.

We reformed the work on four cases and agreed our results with the work performed by the client.

This is the first year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings:

Sample:	Movement/ brief note of error	Original cell total:	Sample error:	Sample value:	Percentage error rate (to four decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 20 cases	Cancelled period paid assessed Cell 012 overstated	£1,028,328	£424	£55,233		
CAKE sample – 40 cases	Cancelled period paid assessed Cell 012 overstated	£1,028,328	£0	£85,638		
Combined sample – 60 cases	Cancelled period paid assessed Cell 012 overstated	£1,028,328	£424	£140,871	0.3010%	£3,095
Corresponding adjustment:	Cell 012 is overstated					£3,095
Corresponding adjustment:	Cell 026 is overstated					£3,095

Appendix B Observations

Error Type 3 – Overpaid benefit

Cell 094: Rent Allowance – Incorrect amount of ESA used in calculations.

Cell Total £32,374,777

Cell Total £423,090 – sub population

Cell Population: 5,974 cases

Cell Population: 79 cases – sub population

Initial testing in 2020/21 found claims in Cell 094 that had incorrect amounts of Contribution based ESA in period leading to an overstatement of subsidy, therefore additional testing was performed, and the error was carried forward into 2021/22

A total of 9 claims were found to be incorrect 1 of these claims (Value £4,413) led to an understatement of benefit of £1,132 and an overpayment for the case of £126 not being required. The other 8 cases had no financial impact because of the errors identified.

The number of cases with ESA C was 79 and we re-performed the test on 8 cases, 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.

This is the second year of reporting this error in the HBAP report, we will carry forward this error as CAKE for 2022/23

Modified Scheme Testing

As a part of HBAP Module 1, Reporting Accountants we are required to obtain information as to whether the local discretionary scheme has been agreed by Full Council.

We were not able to obtain any evidence of this therefore this requires disclosure in our report.

Appendix C: Amendments to the claim form MPF720A

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

Cell 011 Non HRA Rent rebate Cell 028 Eligible overpayments misclassified.

Cell Total: £1,028,328

Cell Total £3,055 – sub population

Cell Population: 401 cases

Cell Population: 15 cases – sub population

Initial testing in 2019/20 found claims in Cell 028 Eligible overpayments, that had been misclassified, testing 2020/21 also found this issue and so it was continued as CAKE into 2021/22

A total of 4 claims were found to be incorrect Cell 028 was found to be overstated by £131 and Cell 027 was understated by £96, and Cell 026 was Understated by £35.

The number of cases in Cell 028 cases 15 and we re-performed the test on 2 cases, and the Authority's findings on those claims were correct.

The following adjustments have been made:

Cell 026 Understated by £35

Cell 027 Understated by £96

Cell 028 Overstated by £131

Cells 026, 027, and 028 have been amended on form MPF720A dated 06 June 2023. Cell 011 remains unchanged.

Appendix D Additional issues

There are no additional issues to report.