

**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 Epsom and Ewell Borough Council, Section 151 Officer.**

This report is produced in accordance with the terms of our engagement letter with the Epsom and Ewell Borough Council dated 02 July 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 Epsom and Ewell 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 28 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 28 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 28 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 carried out the testing of all initial cases.

#### **Cell 011 Non HRA Rent Rebates - Omission of Carer's Allowance.**

Initial Testing of Cell 011 identified that for 1 claim, the authority did not include Carer's Allowance in the income calculation. The Authority identified all claims with Carer's Allowance in Cell 011 and has tested each claim. The authority also identified all claims with earnings in Cell 011 and has tested each claim.

#### **Cell 011 Non HRA Rent Rebates – Incorrect Income as Carer's premium was incorrectly included.**

Initial Testing of Cell 011 identified that for 1 claim the authority used incorrect earnings as they incorrectly included carers' premium. The Authority identified all claims with earnings in Cell 011 and has tested each claim.

#### **Cell 011 Non HRA Rent Rebates – Incorrect Income Disregard and Omission of Carer's allowance in income calculation.**

Initial Testing of Cell 011 identified that for 1 claim, the authority used the incorrect income disregard. They used £10 couples disregard instead of £20 carers disregard in the income calculation. In addition, they did not include the carer's allowance in the income calculation for the same period. This resulted in an overpaid benefit. The Authority identified all claims with earnings Cell 011 and has tested each claim.

#### **Cell 011 Non HRA Rent Rebates – Incorrect Earnings Calculation**

Initial Testing of Cell 011 identified that for 1 claim the authority used incorrectly calculated the earnings The Authority identified all claims with earnings in Cell 011 and has tested each claim.

#### **Cell 011 Non HRA Rent Rebates - Misclassification of Overpayment**

Initial Testing of Cell 011 identified that the Local Authority has incorrectly classified overpayment as an eligible overpayment when it should have been a technical overpayment. The Authority identified all claims in Cell 28 and has tested each claim.

#### **Cell 011 Non HRA Rent Rebates - Misclassification of Expenditure**

Initial Testing of Cell 011 identified that the Local Authority has incorrectly classified the claimant's property as a 1-bedroom self-contained property when it should be a 1-bedroom B&B property. Cell 014 is overstated and cell 012 is understated.

We have not carried out further testing as 40+ is not needed for errors which by their nature do not affect the amount of subsidy claimed i.e., the misclassification of housing benefit cases between cells of the same subsidy rate and tenure type.

#### Cell 094 Rent Allowances

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 module 2 and checked that the Authority entering the correct amounts when updating the system parameters. 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**

There are no tests which resulted from our Cumulative Assurance Knowledge and Experience as there were no errors identified from the previous year.

### **Summary paragraph/ending of letter.**

For the form MPF720A dated 17 February 2021 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).

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Signature/stamp

*Grant Thornton UK LLP*

Date 25/02/2021

## **Appendix A: Exceptions/errors found.**

There are no errors which need to be extrapolated. The authority carried out 100% testing of all cases with errors and as such the errors have been amended and detailed in appendix C.

## **Appendix B: Observations**

*Error Type 1 – underpaid benefit which did not impact claim.*

### **Cell 011 Underpaid benefit - Incorrect Earnings**

**Cell 011 Non HRA Rent rebate**

**Cell Total: £542,271**

**Cell Total £126,507 – sub population**

**Cell Population: 144 cases**

**Cell Population: 37 cases – sub population**

### **Cell 011 Overpaid benefit – Earned Income calculation error additional issue.**

Initial Testing showed 1 claim (value: £7,804) where the authority used incorrect earnings as they incorrectly included carers' premium. There would not have been an overpayment if the correct earnings were used, instead there would have been an underpayment of benefit. Cell 14 would have been understated by £206.45. The overpayment error was caused by the Authority because of the incorrect calculation. As a result, there is expenditure misclassification between Cell 28 and Cell 26. Cell 28 is overstated by £206.45 and cell 26 is understated by the same amount. 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 amendment purposes.

### **Cell 011 Overpaid benefit – Incorrect Earnings Calculation**

From the 100% testing carried out on all cases with earnings, there were 2 claims (value: £637) where the authority used incorrect earning which generated underpayments. Cell 014 understated by £0.36. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments (or nil impact) identified do not affect and have not, therefore, been classified as errors for subsidy amendment purposes.

### **Cell 011 Underpaid benefit - Omission of Carers Allowance**

**Cell 011 Non HRA Rent rebate**

**Cell Total: £542,271**

**Cell Total £56,531– sub population**

**Cell Population: 144 cases**

**Cell Population: 8 cases – sub population**

**Cell 011 Overpaid benefit – Earned Income calculation error additional issue.**

Initial Testing showed 1 claim (value: £7,804) where the authority omitted the carer's allowance in the calculation of income. There would not have been an overpayment if the correct earnings were used, instead there would have been an underpayment of benefit. Cell 14 would have been understated. The overpayment error was caused by the authority because of the incorrect calculation. As a result, there is expenditure misclassification between cell 28 and cell 26. Cell 28 is overstated by £155.06 and cell 26 is understated by the same amount. 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 amendment purposes.

**Cell 11 Expenditure misclassification**

Initial Testing showed 1 claim (value: £ 4,037) where the authority has misclassified this property as a 1-bedroom self-contained property when it should be a 1-bedroom B&B property. Cell 014 is overstated by £34.20 and cell 012 is understated by £34.20.

We have not carried out further testing as 40+ is not needed for errors which by their nature do not affect the amount of subsidy claimed i.e., the misclassification of housing benefit cases between cells of the same subsidy rate and tenure type.

**Cell 11- Omission of Carer's Allowance – Additional issue**

From the additional testing of carer's allowance, there was once claim (value: £13,694) where the authority included carer's premium, but no carer's allowance included in income on the system. However, through a DWP Spotlight search, claimant received the correct carer's allowance. Inclusion of correct carer's allowance in income has no effect on HB award as seen on the pink calculation sheets. (no cells overstated or understated)

## Appendix C: Amendments to the claim form MPF720A

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

### **Cell 011 Overpaid benefit - Incorrect earnings – Incorrect Income Disregard and Omission of Carer's Allowance**

**Cell 011 Non HRA Rent rebate**

**Cell Total: £542,271**

**Cell Total £126,507– Earnings**

**Cell Total £56,531 -Carer's Allowance**

**Cell Population: 144 cases**

**Cell Population: 37 cases – Earnings sub population**

**Cell Population: 8 cases – Care Allowance sub population**

Initial Testing showed 1 claim (value: £7,804) where the authority used the incorrect income disregard in the earnings calculation. They used couples disregard instead of carers disregard in the income calculation. For the same period, the authority also did not include the carer's allowance in the income calculation. This generated an overpayment of benefit of £656.88. Cell 014 is overstated £656.88 and cell 026 is understated by the same amount.

### **Cell 011 Overpaid benefit - Incorrect earnings**

**Cell 011 Non HRA Rent rebate**

**Cell Total: £542,271**

**Cell Total £126,507– sub population**

**Cell Population: 144 cases**

**Cell Population: 37 cases – sub population**

Initial testing showed for the same claim (value: £7,804) as above but for a different period that the authority used incorrect earnings as they incorrectly included carers' premium. This generated an overpayment of £71.85. Cell 014 is overstated £71.85 and cell 026 is understated by the same amount.

The Authority identified all earnings claims in Cell 011 and has tested each claim. The number of cases in cell 11 with earnings was 37. We have re-performed the test on 8 cases and the Authority's findings on those claims were correct. A total of 4 claims were found to be incorrect from the additional testing as follows:

There was 1 claim (value: £4,972) where the authority incorrectly input a higher NI amount in the earning calculation. This resulted in incorrect earnings and an overstatement of cell 014 by £0.13 and an understatement of cell 026 by £0.13.

There was 1 claim (value: £5,252) where the authority incorrectly input a higher NI amount in the earning calculation. This resulted in incorrect earnings and an overstatement of cell 014 by £0.26 and an understatement of cell 026 by £0.26.

The other two claims which were found to be in error have been detailed in appendix B as they have not been included in the amendment.

From the 100% review Cell 014 was found to be overstated by £729.12, Cell 026 was understated by the same amount.

Cells 014 and 026 have been amended on form MPF720a dated 17 February 2021. Cell 011 remains unchanged.

**Cell 011 Overpaid benefit**  
**Omission of Carers Allowance**  
**Cell 011 Non HRA Rent rebate**  
**Cell Total: £542,271**  
**Cell Total £56,531– sub population**  
**Cell Population: 144 cases**  
**Cell Population: 8 cases – sub population**

Initial Testing showed 1 claim (value: £7,804) where the authority did not include carer's allowance in the income calculation. This resulted in an overpayment of £601.96. Cell 14 is overstated by £601.96 and cell 26 is understated by the same amount.

The authority identified all cases with carer's allowance in cell 11. The number of cases in cell 11 with carer's allowance was 8. We have re-performed the test on 5 cases and the Authority's findings on those claims were correct. A total of 4 claims were found to be incorrect from the additional testing as follows:

There was one claim (value: £7,305) where the authority incorrectly included carer's premium in applicable amount which resulted in an overpayment. Cell 14 overstated by £2.58, cell 26 understated by £2.58.

There was one claim (value: £2,928) where the authority incorrectly excluded carer's premium which when calculating the housing benefit award. This resulted in an overstatement on cell 14 of £9.94 and understatement of cell 26 of £9.94.

The other two claims which were found to be in error have been detailed in appendix B as they have not been included in the amendment.

From the 100% review, Cell 014 was found to be overstated by £614.48 and Cell 26 was understated by the same amount.

Cells 14 and 26 have been amended on form MPF720a dated 17 February 2021. Cell 011 remains unchanged.



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

**Cell 28 Expenditure misclassification – Incorrect classification of eligible overpayments**

**Cell Total: 8,580**

**Cell population 26**

**Headline Cell: £542,271**

Initial Testing showed 1 claim (value: £ 4,037) where the authority has misclassified an overpayment as an eligible overpayment when it should be a technical overpayment Cell 028 is overstated by £8.90 and cell 027 is understated by £8.90.

The authority identified all cases in cell 28. The total number of cases in cell 28 was 22. We already tested 4 of those cases as part of our initial sampling.

We have re-performed the test on 2 cases and the Authority's findings on those claims were correct. No further errors were identified.

Cells 28 and 27 have been amended on form MPF720a dated 17 February 2021. Cell 011 remains unchanged.

## Appendix D: Additional issues

There are no other matters to report.