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Reference:
Date: 17 August 2021

Dear All

AUDIT AND GOVERNANCE COMMITTEE - TUESDAY 24 AUGUST 2021

I am now able to enclose, for consideration at Audit and Governance Committee on Tuesday 24 August 2021 the following report that was unavailable when the agenda was published.

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10 **Housing Benefit and Subsidy Claim 2019/20** (Pages 3 - 12)

Kind regards,

Caroline Britt
Democratic Services Officer

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Section 151 Officer of Tunbridge Wells Borough Council

21 May 2021

Dear Sir/Madam,

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 Tunbridge Wells Borough Council.

This report is produced in accordance with the terms of our engagement letter with Tunbridge Wells Borough Council dated 5 August 2019 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 Tunbridge Wells 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 29 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

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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 29 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 29 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 by the Authority 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 as follows:

Cell 011 Non HRA Rent Rebates – Incorrect classification of overpayments

Initial testing of Cell 011 identified 5 cases where the customer had vacated the property and as no rental liability exists, the overpayment should have been classified as 'technical'. The Authority identified and tested all cases in the sub population. The claim was amended for this error.

Cell 011 Non HRA Rent Rebates – Incorrect LHA rate used for a period

Initial testing of Cell 011 identified incorrect LHA rate was used for a period. The Authority identified all claims with LHA rates in Cell 011 and has tested each claim. The claim was amended for the error.

Cell 094 Rent Allowances – Incorrect Earned Income was used for a period.

Initial testing of Cell 094 identified incorrect earned income was used for a period. The Authority had tested as part of CAKE 40+ earned income claims in Cell 094, and thus this error is covered via the CAKE item mentioned below.

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 uprating checklist and no issue was identified.

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issue was 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. The Authority has completed testing of the sub populations for:

- 1) Cell 011 Non-HRA Rent Rebates – Incorrect Start Dates.
- 2) Cell 011 Non HRA Rent Rebates – Incorrect classification of benefit.
- 3) Cell 011 Non HRA Rent Rebates – Incorrect application of dependent deduction
- 4) Cell 094 Rent Allowances – Proof of rent.
- 5) Cell 094 Rent Allowance – Earned income
- 6) Cell 094 Rent Allowance – Incorrect application of ineligible charge
- 7) Cell 094 Rent Allowance – additional testing (two homes)

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 appendices.

Summary paragraph

For the form MPF720A dated 29 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.



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Sarah Ironmonger, Sara.L.Ironmonger@uk.gt.com

Date: 21 May 2021

Appendix A Exceptions/errors found

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

Cell 94: Overpaid benefit – Incorrect Earnings used in assessment

Sub Population Cell Total: £2,284,194

Cell population: 646 cases

Headline Cell 094: £28,262,190

It was identified in 2018/19 and reported in the HBAP Report for that year that the Local Authority had incorrectly overstated benefit due to the incorrect application of earned income.

Our initial testing of the headline cell 094 included 4 cases (value of £10,723) of earned income. The Authority identified one case where the earnings was incorrect for part of the claim period which resulted in an overpayment of benefit of £26.06.

However given the nature of the population and the errors found in the previous year, an additional sample of 40 cases of earned income was tested. This additional testing identified:

- 2 cases (value of £5,760) where earned income was incorrectly recorded in Cell 102, resulting in overstatement of benefit of £156. The errors were £26.06 and £156.84.

This is the second year that this error has been included in our HBAP Report.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population	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 samples	Incorrect Earned Income Calculation – Cell 94	£2,284,194	(£26)	£10,723		
Additional Sample – 40 cases	Incorrect Earned Income Calculation – Cell 94	£2,284,194	(£157)	£180,829		
Combined sample - 44 cases	Incorrect Earned Income Calculation – Cell 94	£2,284,194	(£183)	£191,552	(0.10%)	(£2,181)
Corresponding Adjustment	Combined sample - cell 102 is overstated	£2,284,194	(£183)	£191,552	(0.10%)	(£2,181)
Total Corresponding adjustment	Adjustment cell 113 is understated					£2,181

Appendix B Observation.

Cell 011: Non HRA Rent Rebates – Incorrect start dates

Headline Cell Total: £428,579

Cell population: 188 cases

Initial testing of Cell 011 from 2018/19 had identified a claim where the Local Authority had incorrectly entered the start date. The Authority tested an additional random sub population sample of 40 NHRA Rent Rebates cases as part of our CAKE testing to ensure the start date were correctly recorded in the benefit system.

The test identified one claim where the start date had been entered incorrectly. The error had resulted in subsidy being understated by £128.04. The audit team re-performed 10% of the passes and the failed case. As the customer's HB entitlement can only be underpaid due to an incorrect start date, no adjustment was made to the claim form.

This testing will be required for 2020-21 and it is expected that a full 100% check will be done due to the low population.

Cell 011: Non HRA Rent Rebates – Incorrect eligible rent

Headline Cell Total: £428,579

Cell population: 188 cases

Sub Population Cell Total: £35,551

Cell population: 28 cases

Initial testing of NHRA Rent Rebates identified one case (value of £2,210) where the eligible rent was incorrectly recorded on the HB system. The resulted in subsidy being underclaimed by £0.30. As this type of error could result in subsidy being understated or overstated, the Authority undertook additional testing of 100% of the sub population to ensure eligible rent was correctly recorded. The audit team re-performed 10% of the passes. As this error had resulted in an underpayment of subsidy, no adjustment was made to the claim form. No further error was identified.

This testing will be required for 2020-21 and it is expected that a full 100% check will be done due to the low population.

Cell 011: Non HRA Rent Rebates – Incorrect application of dependant deduction

Headline Cell Total: £428,579

Cell population: 188 cases

Sub Population Cell Total: £5,389

Cell population: 2 cases

Initial testing of Cell 011 from 2018/19 had identified a claim where a childcare payment was incorrectly applied resulting in overpayment of subsidy. As this type of error could result in subsidy being understated or overstated, the Authority undertook additional testing of 100% of the sub population to ensure childcare payment was correctly applied. The audit team re-performed 100% of the population. No further error was identified.

We consider this CAKE testing closed.

Cell 011 Rent Rebates Tenants of Non HRA Properties – Incorrect application of LHA rate

Headline Cell Total: £428,579

Cell Population: 188

Cell Total: £312,488 – sub population

Cell Population: 135 cases – sub population

Initial testing of Cell 011 identified incorrect application of LHA in one case (value of £934). For this case, there was no impact on subsidy claimed. As this type of error could result in subsidy being understated or overstated, the Authority undertook additional testing of all LHA rates within this sub population. Seven further errors (value of £10,482) of incorrect application of LHA were identified. The errors had no impact on subsidy claimed and the claim has not been amended in respect of these errors. The audit team re-performed 10% of the passes and all the fails.

This testing will be required for 2020-21 and it is expected that a full 100% check will be done due to the low population.

Cell 094: Rent Allowance – No Proof of rent

Cell 094 Rent Allowances

Headline Cell Total: £28,262,190

Cell population: 5520 cases

Initial testing of Cell 094 from 2018/19 had identified a claim where the Local Authority had no proof of rental income. The Authority tested an additional random sub population sample of 40 Rent Allowances cases as part of our CAKE testing to ensure proof of rental income were correctly recorded in the benefit system. The audit team re-performed 10% of the passes and no further fails have been identified.

We consider this CAKE testing closed.

Cell 94: Overpaid benefit – Incorrect Earnings used in assessment

Sub Population Cell Total: £2,284,194

Cell population: 646 cases

Headline Cell 094: £28,262,190

CAKE testing of sub population of cell 094 earned income identified five claims where self-employed income was incorrectly applied resulting in an underpayment of benefit of £30.08. The audit team re-performed 10% of the passes and all fails.

The testing of an additional random sample of earned income cases will be required for 2020-21.

Appendix C: Amendments to the claim form MPF720A

Error Type 4 – Expenditure misclassification – Incorrect classification of overpayments

Cell 011 Rent Rebates Tenants of Non HRA Properties

Headline Cell Total: £428,579

Cell Population: 188

Cell Total: £312,488 – sub population

Cell Population: 135 cases – sub population

Initial testing of Cell 011 identified incorrect classification of overpayments in two cases (value of £2,439.17). For these cases, LA error and administrative delay overpayments was overstated by £449.60. As this type of error could result in subsidy being understated or overstated, the Authority undertook additional testing of all overpayments within this population. Three further error of incorrect classification of technical overpayments was identified. The audit team re-performed 10% of the passes and all the fails. The total value of overpayments £3,386. The claim was amended as follows:

Cell 026 -£3,386

Cell 027 +£3,386

This testing will be required for 2020-21 and it is expected that a full 100% check will be done due to the low population.

Cell 011 Rent Rebates Tenants of Non HRA Properties – Incorrect application of LHA rate

Headline Cell Total: £428,579

Cell Population: 188

Cell Total: £312,488 – sub population

Cell Population: 135 cases – sub population

Initial testing of Cell 011 identified incorrect application of LHA in one case (value of £934). For this case, there was no impact on subsidy claimed. As this type of error could result in subsidy being understated or overstated, the Authority undertook additional testing of all LHA rates within this sub population. Seven further errors (value of £10,482) of incorrect application of LHA were identified (reported as 'observations in Appendix B above). The errors had no impact on subsidy claimed and the claim has not been amended in respect of these errors. Two additional errors of incorrect application of LHA were identified resulting in overpayment of subsidy. The errors range from £115 to £148. The audit team re-performed 10% of the passes and all the fails. The total value of overpayments £263. The claim was amended as follows:

Cell 014 -£263

Cell 015 +£263

This testing will be required for 2020-21 and it is expected that a full 100% check will be done due to the low population.

Cell 094 Rent Allowance – Incorrect application of ineligible charge

Cell 094 Rent Allowances

Headline Cell Total: £28,262,190

Cell Total: £171,163 – sub population

Cell Population: 36 cases – sub population

Initial testing of cell 094 in 2018/19 identified two claims with an incorrect in eligible charge applied to the benefit calculation for the year resulting in an overpayment of benefit. As part of CAKE testing in 2019/20, the Authority identified all related claimants with ineligible charge calculation in Cell 094 and identified a further three claims (value of £8,180) resulting in an overpayment of benefit of £16 to the claim. These overpayments ranged from £3 to £7. The audit team re-performed 10% of the passes and all the fails within the sub population. The claim was amended as follows:

Cell 102 -£16

Cell 113 +£16

This testing will be required for 2020-21 and it is expected that a full 100% check will be done due to the low population.

Cell 094 Rent Allowance – Incorrect application of benefit (two homes)

Cell 094 Rent Allowances

Headline Cell Total: £28,262,190

Cell Total: £40,286 – sub population

Cell Population: 7 cases – sub population

As part of CAKE testing in 2019/20 for incorrect application of ineligible charge, one case (value of £2,120.36) related to incorrect application of benefit for two homes. For this case, subsidy was overstated by £5.80 and has been included in the amendment above.

As this type of error could result in subsidy being understated or overstated, the Authority undertook additional testing of all claims with two homes. One further error (value of £5,420) of incorrect application of benefit for two homes was identified where subsidy was overpaid by £89. The audit team re-performed 10% of the passes and all the fails. The total value of overpayments £89. The claim was amended as follows:

Cell 102 -£89

Cell 113 +£89

This testing will be required for 2020-21 and it is expected that a full 100% check will be done due to the low population.

Appendix D Additional issues

No additional issues to report.

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