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Section 151 Officer Dacorum Borough Council

28th November 2019

Dear Sirs

Housing Benefit (Subsidy) Assurance Process 2019 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 Dacorum Borough Council dated 9 January 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 Dacorum 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 original 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 amended form MPF720A 2018/19 dated 21 November 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 amended form MPF720A dated 21 November 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 Rebate Isolated Classification Error

1 claim had been manually adjusted to correct a classification error between Local Authority Overpayment Error and Eligible Overpayment Error. However the adjustment applied was less than required. As this was the only claim subject to manual adjustment it was possible to isolate the error and amend the claim accordingly.

Cell 055 HRA Rent Rebate Incorrect Application of Social Sector Size Criteria (SSSC) Deduction

Initial Testing of Cell 055 identified that the Local Authority has incorrectly applied the SSSC deduction to 1 claim resulting in an underpayment of benefit, this could cause an overpayment in another circumstance. The Authority identified a sub-population of claims where the SSSC deduction had been applied and as it was not possible to correctly establish the error for amendment additional testing of 40 of these cases was completed for the error.

Cell 094 Rent Allowance

No claims were found to be in error.

Completion of Modules

Completion of Module 2

Testing of the module 2 for correct uprating of system parameters identified no issues. This is detailed in Appendix B This is detailed in Appendix B.

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:

HRA Rent Rebates Cell 055 – Incorrect Calculation of Self Employed Income

HRA Rent Rebates Cell 072 – Incorrect Classification of Prior Year 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 CAKE tests returned further errors for 2018/19 and therefore cannot be closed.

Summary paragraph/ending of letter

For the amended form MPF720A dated 21 November 2019 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..... *Grant Thornton UK LLP*

Date – 28th November 2019

Appendix A Exceptions/errors found

Error Type 3 – benefit overpaid or insufficient supporting information

Cell 055 Incorrect Calculation of Self Employed Income

Cell 055: HRA rent rebates total expenditure

Cell Total: £22,452,005

Cell Total £1,425,206 – sub population

Cell Population: 5,625 cases

Cell Population: 349 cases – sub population

Headline Cell: £22,452,005

In 2017/18 our testing identified that the Local Authority had incorrectly calculated self-employed income resulting in an overpayment of benefit. During our initial testing, no cases were identified where the assessment was based on self-employed and therefore 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 self-employed income was tested. This additional testing identified:

1 case (value: £5,452) which resulted in an overpayment of housing benefit to a total of £34 in 2018/19 due to miscalculating the claimant's self-employed income. The effect of this error was to overstate Cell 061 with a corresponding understatement of Cell 065; there is no effect on Cell 055.

3 cases (total value: £8,752) which had resulted in an underpayment of housing benefit to a total of £702 in 2018/19 due to miscalculating the claimants' self-employed 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.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 0 cases	No errors identified in the initial sample	£1,425,206	£0	£0		
CAKE sample – 40 cases	Incorrect self-employed income calculation	£1,425,206	£34	£157,460		
Combined sample - 40 cases	Overpayment of benefit due to incorrect self-employed income calculation – Cell 061 overstated and Cell 065 understated	£1,425,206	£34	£157,460	0.022%	£308
Adjustment	Combined Cell 061 overstated	£1,425,206	£34	£157,460	0.022%	£308
Total corresponding adjustment	Total understatement of Cell 065					£308

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

Cell 072 Incorrect Classification of Prior Year Eligible Overpayments

Cell Total: 309,215

Cell population 384

Headline Cell (Cell 55): £22,452,005

It was identified in the 2017/18 claim and reported in the qualification letter for that year that Cell 072 included prior year overpayments that should properly have been classified as Cell 070 LA error and administrative delay prior year eligible overpayments. Testing within the initial testing for 2018/19 included no cases within Cell 072 prior year eligible overpayments. Additional 40+ testing was undertaken on Cell 072 overpayments.

Additional Testing:

Testing of an additional random sample of 40 cases identified 1 case (total value £2,523) where the dates have been incorrectly applied and part of the prior year overpayment should have been classified in cell 072 (LA error prior year overpayments) not cell 070. Consequently, cell 072 is overstated and cell 070 is correspondingly understated there is no effect on cell 055.

The value of the error was £2.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places)	Cell adjustment:
Initial sample - 0 cases		[CT] £309,215	[SE] £0	[SV] £0	[SE/SV]	[SE/SV times CT]
Additional sample - 40 cases	No errors identified in the initial sample. Misclassification of prior year overpayment error as eligible overpayment	£309,215	£2	£28,833		
Combined sample 40 cases	Overstatement of Cell 072 and understatement of Cell 070	£309,215	£2	£28,833	0.007%	£22
Adjustment	Combined sample - Cell 072 prior year eligible overpayments is overstated.	£309,215	£2	£28,833	0.007%	£22
Total corresponding adjustment	Total understatement of Cell 070					£22

Appendix B Observations

Cell 055 Incorrect application of Social Sector Size Criteria (SSSC) Deduction

Cell 055 HRA rent rebates total expenditure

Cell Total: £22,452,005

Cell Total £12,270,349 – sub population

Cell Population: 5,625 cases

Cell Population: 2,749 cases – sub population

Initial testing included 5 cases (total value: £15,354) which included deductions for SSSC. Initial Testing showed 1 claim (value: £2,499) had the SSSC deduction incorrectly applied that resulted in an underpayment of £197. 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 purposes and so has not been extrapolated.

As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed.

No further errors were identified in relation to SSSC deduction as a result of this testing.

Appendix C: Amendments to the claim form MPF720A

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

Cell 26 Overpaid Non-HRA Rent Rebates Current Year LA Error and Administrative Delay

One claim in Cell 26 was identified as misclassified as LA error and administrative delay overpayments, prior to the production of the initial claim form via a manual adjustments report, (value of misclassification £45.63). This was correctly amended and included within cell 28, eligible overpayments, prior to completion of the final claim form.

Initial testing found that the misclassification adjustment had not been made in full. The full value of the misclassified overpayment was £57. As there was only one case in Cell 26 misclassified per the manual adjustment report an amendment of a further £12 is required to the claim form as Cell 26 is overstated by £12 and Cell 28 is understated by the same amount.

This is reflected in the amendment made to Form MPF720a dated 21 November 2019

Appendix D Additional issues

No additional issues to report.