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Section 151 officer Guildford Borough Council

29th November 2019

Dear Sirs,

Housing Benefit (Subsidy) Assurance Process 2018/19 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 Guildford Borough Council dated 20 November 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 Guildford 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 2019 and the final version dated 27 November 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 form MPF720A 2018/19 dated 29 April 2019 and the final version dated 27 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 form MPF720A dated 29 April 2019 and the final version dated 27 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

No claims were found to be in error.

Cell 055 HRA rent rebate

No Claims were found to be in error.

Cell 094 Rent Allowance

No claims were found to be in error.

Completion of Modules

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 Qualification Letter. Where appropriate the Authority has completed testing of the sub populations for:

HRA Rent Rebates – calculation of earned income within Cell 055

HRA Rent Rebates – calculation of tax credits within Cell 055

HRA Rent Rebates – calculation of occupational pension income Cell 055

Rent allowances – calculation of self-employed earnings within Cell 094

Rent allowances – calculation of tax credits within Cell 094

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.

Summary paragraph/ending of letter

For the form MPF720A dated 27 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.

Firm of accountants...**Grant Thornton UK LLP**.....

Office...**London**.....

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Signature / stamp..... *Grant Thornton UK LLP*.....

Date..... *29/11/2019*.....

Appendix A Exceptions/errors found

Cell 055 Overpaid benefit – Occupational Pension Error

Cell 055 HRA Rent rebate

Cell Total: £13,005,045

Cell Total £1,117,687 – sub population

Cell Population: 2,885 cases

Cell Population: 300 cases – sub population

Our testing in 2015/16 identified that the Authority had not correctly taken occupational pension income into account in calculating benefit entitlement. Further errors were noted in 2016/17 and 2017/18.

During our initial testing, 3 cases (value £11,312) where the assessment was based on occupational pension 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 occupational pension income was tested. This additional testing identified:

- 1 case (value £487) which resulted in an overpayment of housing benefit to a total of £0.15 in 2018/19 due to miscalculating the claimants occupational pension income. This has been rounded to £0 in our extrapolation table.
- 1 case (value £3,070) which had resulted in an underpayment of housing benefit to a total of £3 in 2018/19 due to miscalculating the claimants occupational pension 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.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with occupational pension)	Sample error:	Sample value:	Percentage error rate (to four decimal places):	Cell adjustment:
		[CT]	[SE]	SV	[SE/SV]	[SE/SV times CT]
Initial sample – 3 cases	Incorrect Occupational Pension Income Calculation – Cell 055	£13,005,045	£0	£11,312		
Additional testing sample – 40 cases	Incorrect Occupational Pension Income Calculation – Cell 055	£1,117,687	£0.15	£145,524		
Combined sample - 43 cases	Incorrect Occupational Pension Income Calculation – Cell 055	£1,117,687	£0.15	£156,836	0.0001%	(£1.12)
Corresponding adjustment:	Combined sample - Cell 061 is overstated	£1,117,687	£0.15	£156,836	0.0001%	(£1.12)
Total corresponding adjustment	Total amendment of Cell 065					£1.12

Given the value of the overpayment, this table has been produced to four decimal points in order to most appropriately reflect the extrapolated overstatement.

Cell 055 Overpaid benefit – Tax Credits Error
Cell 055 HRA Rent rebate
Cell Total: £13,005,045
Cell Total £2,074,655 – sub population
Cell Population: 2,885 cases
Cell Population: 575 cases – sub population

Our testing in 2015/16 identified that the Authority had not correctly taken tax credits into account in calculating benefit entitlement. Further errors were noted in 2016/17 and 2017/18.

During our initial testing, 3 cases (value £10,233) where the assessment was based on tax credits 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 (value £2,805) which resulted in an overpayment of housing benefit to a total of £3 in 2018/19 due to not correctly taking tax credits into account.
- 2 cases (value £10,720) which had resulted in an underpayment of housing benefit to a total of £245 in 2018/19 due to not correctly taking tax credits into account. 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.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with tax credits)	Sample error:	Sample value:	Percentage error rate (to four decimal places):	Cell adjustment:
		[CT]	[SE]	SV	[SE/SV]	[SE/SV times CT]
Initial sample – 3 cases	Incorrect application of tax credits – Cell 055	£13,005,045	£0	£10,233		
Additional testing sample – 40 cases	Incorrect application of tax credits – Cell 055	£2,074,655	£3	£132,326		
Combined sample - 43 cases	Incorrect application of tax credits – Cell 055	£2,074,655	£3	£142,559	0.0021%	(£44)
Corresponding adjustment:	Combined sample - Cell 061 is overstated	£2,074,655	£3	£142,559	0.0021%	(£44)
Total corresponding adjustment	Total amendment of Cell 065					£44

Given the value of the overpayment, this table has been produced to four decimal points in order to most appropriately reflect the extrapolated overstatement.

Cell 094 Overpaid benefit – Self-Employed Earnings
Cell 094 Rent allowances
Cell Total: £18,894,476
Cell Total £1,717,388 – sub population
Cell Population: 3,264 cases
Cell Population: 269 cases – sub population

Our testing in 2015/16 identified that the Authority had not correctly taken self-employed earnings into account in calculating benefit entitlement. Further errors were noted in 2016/17 and 2017/18.

During our initial testing, 2 cases (value £9,841) where the assessment was based on self-employed earnings 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 (value £4,962) which resulted in an overpayment of housing benefit to a total of £4 in 2018/19 due to miscalculating the claimants' self employed earnings. The errors ranged from £0.40 to £3.64.
- 4 cases (value £34,495) which had resulted in an underpayment of housing benefit to a total of £159 in 2018/19 due to miscalculating the claimants' self-employed earnings.'
- 3 cases (value £25,100) where the error had no impact on entitlement to benefit or to subsidy.

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 self-employed earnings)	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 case	Incorrect calculation of self-employed earnings – Cell 094	£18,894,476	£0	£9,841		
Additional testing sample – 40 cases	Incorrect calculation of self-employed earnings – Cell 094	£1,717,388	£4	£238,482		
Combined sample - 42 cases	Incorrect calculation of self-employed earnings – Cell 094	£1,717,388	£4	£248,323	0.0016%	£27
Corresponding adjustment:	Combined sample - Cell 102 is overstated	£1,717,388	£4	£248,323	0.0016%	(£27)
Total corresponding adjustment	Total amendment of Cell 113					£27

Given the value of the overpayment, this table has been produced to four decimal points in order to most appropriately reflect the extrapolated overstatement.

Cell 094 Overpaid benefit – Tax Credits Error
Cell 094 Rent allowances
Cell Total: £18,894,476
Cell Total £6,412,477 – sub population
Cell Population: 3,264 cases
Cell Population: 1,031 cases – sub population

Our testing in 2015/16 identified that the Authority had not correctly taken tax credits into account in calculating benefit entitlement. Further errors were noted in 2016/17 and 2017/18.

During our initial testing, 9 cases (value £46,259) where the assessment was based on tax credits 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 (value £13,350) which resulted in an overpayment of housing benefit to a total of £234 in 2018/19 due to not correctly taking tax credits into account.
- 1 case (value £3,568) which had resulted in an underpayment of housing benefit to a total of £292 in 2018/19 due to not correctly taking tax credits into account. 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.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with tax credits)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 9 cases	Incorrect application of tax credits – Cell 094	£18,894,476	£0	£46,259		
Additional testing sample – 40 cases	Incorrect application of tax credits – Cell 094	£6,412,477	£234	£258,004		
Combined sample - 49 cases	Incorrect application of tax credits – Cell 094	£6,412,477	£234	£304,263	0.08%	£5,130
Corresponding adjustment:	Combined sample - Cell 103 is overstated	£6,412,477	£234	£304,263	0.08%	(£5,130)
Total corresponding adjustment	Total amendment of Cell 113					£5,130

Appendix B Observations

Cell 055 Overpaid benefit – Earnings
Cell 055 HRA Rent rebate
Cell Total: £13,005,045
Cell Total £2,086,284 – sub population
Cell Population: 2,885 cases
Cell Population: 621 cases – sub population

Our testing in 2015/16 identified that the Authority had not correctly taken tax credits into account in calculating benefit entitlement. Further errors were noted in 2016/17 and 2017/18.

During our initial testing, 4 cases (value £13,245) where the assessment was based on tax credits 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 tax credits was tested. This additional testing identified:

1 case (value £1,935) which had resulted in an underpayment of housing benefit to a total of £6 in 2018/19 due to miscalculating the claimants 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.

For one case in Cell 104 it was noted that a benefit granted for a 12 day period in March 2016 (registered as a prior year underpayment in 2018/19) had been generated through a system issue. The system issue means that in some instances, changes to current benefit entitlement have automatically generated underpayments relating to that 12 day period in March 2016, despite the fact that the new assessments do not impact that period. The auditor identified six separate instances of this occurring within the same case for the same period, with values of £0.20, £0.28, £0.40, £0.57, £0.82 and £1.16 (totalling £3.43).

This has resulted in a headline claim of £3.43 to Cell 094 and a corresponding amount of £3.43 to cell 102.

The theoretical benefit payment arising from this system issue was recovered against an existing overpayment and so has not been directly paid to the claimant, although it does appear on the claim form against Cell 094 and Cell 102.

The authority raised this issue with their software provider in December 2016, when the matter was first noted. A holding update was provided by the supplier in February 2018 with a revised update in October 2019 with a proposed means for addressing the issue. In November 2019 the supplier has advised of a potential fix that can be applied that should resolve this issue, to be first tested on a replica of the database.

The authority has appropriately installed available patches that were available as at the time of running the claim form in April 2019, as confirmed through Module 5.

No other instances of this issue have been noted as part of our testing. Based on feedback received from the supplier so far, the Authority do not believe it is currently possible to assess the total potential impact or value of this error although expect it will be possible to determine this once this until the fix is applied on a replica of the database.

Appendix C: Amendments to the claim form MPF720A

Cell 011 Bed and Breakfast

The authority's original MPFA720, as submitted on 29 April 2019, included a manual adjustment to Headline Cell 011 and eligibility cells 012 and 013. This was to bring in claims for Bed & Breakfast cases as these are not managed within the Authority's Civica system but are instead administered manually. Bringing these cases onto the claim form had the effect of increasing the values of Cells 011, 012 and 013 by £83,701, £37,451 and £46,250 respectively. These cases are tracked on a manual spreadsheet.

We reviewed a sample of 12 cases (of 60 in total) in line with Module 3. On our review of the underlying records we found that, while benefit had been correctly calculated and awarded, a typographical error on the manual spreadsheet meant that the values of Cell 011 and Cell 013 had been inflated for £40 with respect to this case, as the details on the invoice that had been paid had not been accurately transposed into the manual spreadsheet.

It was also noted that a spreadsheet error, in which a subtotal had been left blank by mistake, had caused three cases to be excluded from the overall totals, which had the effect of understating Cell 011 by £3,584 and understating Cell 013 by £3,584.

Given the prevalence of errors, the Authority were asked to review the underlying spreadsheet to ensure that all remaining formulas in the spreadsheet were correct and that all invoices had been correctly input. As a result of this review further typographical errors were identified, which had the effect of understating Cell 011 by £1,479, understating Cell 012 by £1,309 and understating Cell 013 by £170.

As a result of these changes, the final claim form contains values for Cells 011, 012 and 013 of £88,724, £38,760 and £49,964 respectively, representing an increase between the original claim (dated 29 April 2019) form of £5,023, £1,309 and £3,714 respectively.

These have been adjusted for in the final claim form dated 27 November 2019.

No errors were noted with respect to the underlying claim handling, but only with respect to the underlying spreadsheet used to total the subsidy claims. Therefore where cell values have increased, this is not due to benefits being underpaid but due to their being omitted from the claim form.

Appendix D Additional issues

No additional issues were noted.