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DWP Business Finance & Housing Delivery Directorate,
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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.

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 Southend on Sea Borough Council, Section 151 Officer.

This report is produced in accordance with the terms of our engagement letter with the Southend on Sea Borough Council dated 9 July 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 Southend on Sea 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 28/11/19.

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.

Housing Benefit (subsidy) Assurance Process Module 6

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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 28/11/19 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 28/11/19 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

Initial Testing

In accordance with HBAP module 3, we completed an initial sample of cases for all general expenditure cells. Please refer to the Appendix where the results of our testing are described in further detail.

Cell 011: NHRA Rent Rebates – Misclassification of LA Error Overpayments

Our initial test of 20 cases identified one error relating to a claim that included both NHRA and HRA expenditure. The LA, out of expediency, adjusted an overpayment relating to the NHRA portion of the claim in the HRA overpayment cell rather than the NHRA overpayment cell (one overall adjustment was performed across NHRA and HRA cells). This error did not and could not affect the amount of subsidy claimed; for this reason we concluded that extended testing was not appropriate for this error.

Cell 055: HA Rent Rebates – Earned Income

Our initial test of 20 cases identified 1 claim (error value £21.84) where income was incorrectly input/assessed resulting in an underpayment of benefit. Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

Cell 055: Rent Rebates - Standard Income

Our initial test of 20 cases identified 1 claim (error value £30.55) where income was incorrectly input/assessed resulting in an underpayment of benefit. Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

Cell 094: Rent Allowances - Misclassification of LA Error Overpayments

Our initial test of 20 cases identified 1 case (error value £2.80) which was incorrectly classified as LA Error Overpayment instead of Eligible Overpayment. Given the nature of the population and the errors identified, an additional sample of 40 cases was selected from cell 66 for testing.

Cell 094: Rent Allowances - Standard Income

Our initial test of 20 cases identified one error which had no effect on the amount of subsidy. Given the nature of the population and the errors identified, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

Cell 094: Rent Allowances - Earned Income

Our initial test of 20 cases identified 2 cases (total error value £44.17) where income was incorrectly input/assessed resulting in an underpayment of benefit. Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

Completion of Modules

- Completion of Module 2
 - Testing of the module 2 was completed 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:

- Cell 061 HRA Rent Rebates - Standard Income Incorrectly Input/Assessed
- Cell 061 HRA Rent Rebates - Earned Income Incorrectly Input/Assessed
- Cell 066 HRA Rent Rebates - Misclassification of Technical Overpayments
- Cell 113 Rent Allowances - Misclassification of LA Error Overpayments
- Cell 094 Rent Allowances - Earned Income Incorrectly Input/Assessed
- Cell 102 Rent Allowances - Expenditure under the Rent Officer Arrangements: Rent Incorrectly Input
- Cell 094 Rent Allowances - Standard Income Incorrectly Input/Assessed
- Cell 094 Rent Allowances - Non-dependant Income Incorrectly Input/Assessed

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 28/11/19 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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Date: 29 November 2019

Appendix A: Errors/Exceptions

Software reconciliation of benefit granted to benefit paid

The Authority's benefit administration system (Northgate) performs a reconciliation of benefit granted to benefit paid; discrepancies identified through this reconciliation process are reported in the resulting SUB057 and SUB061 reconciliation reports. The reconciliation performed for the 2018/19 subsidy year identified the following unresolved discrepancies:

SUB057

Payment Type	Claim Type	Posted	Recon	Subsidy	Discrepancy
CREDS	PTEN	50,339,962.30	-609,265.27	50,934,764.88	-14,462.69
RENTS	LAHRA	16,565,798.66	-135,078.70	16,691,492.10	-9,385.26
RENTS	LANHRA	755,829.12	-70,466.31	826,311.65	16.22

**The amounts in the "Subsidy" column of the SUB057 schedule above reconcile to the claim form as follows:*

Cell055 (£16,667,786.93) + Cell225b (£23,705.17) = £16,691,492.10

Cell094 (£50,921,624.39) + Cell225c (£13,140.49) = £50,934,764.88

Please note that this reconciliation was performed on the original claim form values, prior to the effect of any manual adjustments.

SUB061

	Reconcile Total	Paid Total	Discrepancy
Rebates	17,321,627.78	17,322,416.80	789.02
Creditors	50,339,962.30	50,339,967.90	5.60

Rent Rebates - Standard Income

Cell 061: Rent Rebates - Standard Income

Cell Total (061): **£16,496,276**

Cell Total - sub population: **£2,852,736**

Cell sub-population (# of cases): **754**

Headline Cell (055): **£16,667,787**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of housing benefit. Our initial test of 20 cases identified 1 claim (error value £30.55) where income was incorrectly input/assessed resulting in an underpayment of benefit.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

- 6 cases where income was incorrectly input/assessed resulting in housing benefit being underpaid by a total of £3,351. Errors ranged in value from £0.36 to £2,156.
- 1 claim where income was incorrectly input/assessed resulting in housing benefit being overpaid by a total of £50.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

The result of the testing is set out in the table below:

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 of 20 - 6 rent rebate standard income cases	Standard income incorrectly input/assessed – Cell 061	£16,496,276	£0	£28,383			
Additional testing sample – 40 cases	Standard income incorrectly input/assessed – Cell 061	£2,852,736	£50	£143,750			
Combined sample - 46 cases	Standard income incorrectly input/assessed – Cell 061	£2,852,736	£50	£172,134		0.03%	£836
Corresponding adjustment:	Combined sample - Cell 061 is overstated						-£836
	Combined sample - Cell 065 is understated						£836
Total corresponding adjustment	Total amendment of Cell 061 and 065						£836

Rent Rebates - Earned Income

Cell 061: Rent Rebates - Earned Income

Cell Total (061): **£16,496,276**

Cell Total - sub population: **£875,484**

Cell sub-population (# of cases): **330**

Headline Cell (055): **£16,667,787**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of housing benefit. Our initial test of 20 cases identified 1 claim (error value £21.84) where income was incorrectly input/assessed resulting in an underpayment of benefit.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

- 1 case where income was incorrectly input/assessed resulting in no impact on housing benefit.
- 2 cases where income was incorrectly input/assessed resulting in housing benefit being underpaid by £261.38. Errors range in value from £0.10 to £261.28.
- 3 cases where income was incorrectly input/assessed resulting in housing benefit being overpaid by a total of £910. Errors ranged in value from £2.21 to £892.90

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

The result of the testing is set out in the table below:

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 of 20 - 4 Rent rebate earned income cases	Earned income incorrectly input/assessed – Cell 061	16,496,276	£0	14,192			
Additional testing sample – 40 cases	Earned income incorrectly input/assessed – Cell 061	875,484	910	112,380			
Combined sample - 44 cases	Earned income incorrectly input/assessed – Cell 061	875,484	£910	126,572		0.72%	£6,294
Corresponding adjustment:	Combined sample - Cell 061 is overstated						-£6,294
	Combined sample - Cell 065 is understated						£6,294
Total corresponding adjustment	Total amendment of Cell 061 and 065						£6,294

Rent Allowances - Misclassification of LA Error Overpayments

Cell 113: Rent Allowances - LA Error & Administrative Delay Overpayments

Cell Total (113): **£66,440**

Cell Total - sub population: **£66,440**

Cell sub-population (# of cases): **443**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly classified claims as LA Error Overpayment when they should have been classified as Eligible Overpayment. Our initial test of 20 cases identified 1 case (error value £2.80) which was incorrectly classified as LA Error Overpayment instead of Eligible Overpayment.

Given the nature of the population and the errors identified, an additional sample of 40 cases was selected from cell 66 for testing. This additional testing identified 8 cases classified as LA Error Overpayment which should have been classified as Eligible Overpayment. The total error was £356.33 and errors ranged in value from £0.15 to £148.

The result of the testing is set out in the table below:

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 of 20 - 2 Rent Allowance misclassification of LA error/admin delay cases	Misclassification of LA error/admin delay – Cell 113 is overstated and Cell 114 is understated	66,440	2.80	122			
Additional testing sample – 40 cases	Misclassification of LA error/admin delay – Cell 113 is overstated and Cell 114 is understated	66,440	356	4,617			
Combined sample - 41 cases	Misclassification of LA error/admin delay – Cell 113 is overstated and Cell 114 is understated	66,440	£359	4,739		7.58%	£5,035
Corresponding adjustment:	Combined sample - Cell 113 is overstated						-£5,035
Corresponding adjustment:	Combined sample - Cell 114 is understated						£5,035
Total corresponding adjustment	Total amendment of Cells 113 and 114						£5,035

Rent Allowances - Expenditure under the Rent Officer Arrangements - Rent Incorrectly Input

Cell 102: Rent Allowances - Expenditure under the Rent Officer Arrangements

Cell Total (102): **£12,704,152**

Cell Total - sub population: **£12,704,152**

Cell sub-population (# of cases): **2,602**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input rent resulting in over/underpayments of benefit. Our initial test of 20 cases identified no errors.

Given the nature of the population and the errors found, an additional sample of 40 cases was selected from cell 102 for testing. The additional testing identified:

- 2 cases where rent was incorrectly input resulting in housing benefit being overpaid by a total of £223.41. Errors ranged in value from £50.91 to £172.50.

The result of the testing is set out in the table below:

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 of 20 - 5 Rent Allowance Cell 102 cases	Rent incorrectly input	12,704,152	£0	32,156			
Additional testing sample - 40 cases	Rent incorrectly input – Cell 102 is overstated and cell 113 is understated	12,704,152	223	231,836			
Combined sample - 45 cases	Rent incorrectly input – Cell 102 is overstated and cell 113 is understated	12,704,152	£223	263,992		8% 0.0	751 £10,
Corresponding adjustment:	Combined sample - Cell 102 is overstated						-£10,751
	Combined sample - Cell 113 is understated						751 £10,
Total corresponding adjustment	Total amendment of Cells 102 and 113						751 £10,

Rent Allowances - Standard Income

Cell 094: Rent Allowances - Standard Income

Cell Total (094): **£50,921,624**

Cell Total - sub population: **£7,837,796**

Cell sub-population (# of cases): **1,500**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of benefit. Our initial test of 20 cases identified one error which had no effect on the amount of subsidy.

Given the nature of the population and the errors identified, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

- 3 cases where income had been incorrectly input/assessed resulting in housing benefit being underpaid by a total of £208.34. Errors ranged in value from £5.88 to £131.34.
- 1 case where income had been incorrectly input/assessed resulting in no impact on the amount of housing benefit.
- 1 case where income had been incorrectly input/assessed resulting in housing benefit being overpaid by £3,530.16. The error was caused by an assessor selecting the wrong payment frequency for the claimant's benefit income. By establishing that the payment frequency for this category of benefit payment does not vary for different claims and querying the system in order to generate a report of all claims with the same benefit payment, we were able to establish that this particular error was absent from all other claims on the subsidy form, therefore this error is not extrapolated.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Appendix B Observations

Rent Rebates - Misclassification of Technical Overpayments

Cell 066: Rent Rebates - Technical Overpayments

Cell Total (066): **£10,436**

Cell Total - sub population: **£10,436**

Cell sub-population (# of cases): **171**

Headline Cell (055): **£16,667,787**

Testing performed in 2017/18 identified that the Local Authority had incorrectly classified Technical Overpayments as either LA Error Overpayment or Eligible Overpayment. Our initial test of 20 cases identified no cases affected by this error.

Given the nature of the population and the errors identified in 2017/18, an additional sample of 40 cases selected from cell 66 was tested. This test identified 1 case where the claimant had moved from one LAHRA property to another, and the system was not set to automatically offset any resulting overpayment; this resulted in cell 66 being overpaid by £93.03; the amount does not represent a true overpayment and consequently no other overpayment cells are underpaid.

As cell 66 attracts no subsidy, no other overpayment cells are under/overpaid and the amount of subsidy claimed for this case is correct, we have concluded that this error has had no impact on the amount of subsidy claimed.

Rent Allowances - Earned Income

Cell 094: Rent Allowances - Earned Income

Cell Total (094): **£50,921,624**

Cell Total - sub population: **£12,011,086**

Cell sub-population (# of cases): **2,448**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of benefit. Our initial test of 20 cases identified 2 cases (total error value £44.17) where income was incorrectly input/assessed resulting in an underpayment of benefit.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

6 cases where income was incorrectly input/assessed resulting in housing benefit being underpaid by a total of £917.75. Errors ranged in value from £0.45 to £779.28.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

Cell 094: Rent Allowances - Non-Dependant Income

Cell Total (094): **£50,921,624**

Cell Total - sub population: **£2,898,496**

Cell sub-population (# of cases): **527**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed non-dependant income resulting in over/underpayments of benefit. Our initial test of 20 cases identified no errors.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon non-dependant income was tested. This additional testing identified:

2 cases where non-dependant income had been incorrectly input/assessed resulting in housing benefit being underpaid by a total of £439.06. Errors ranged in value from £19.65 to £419.41.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Cell 011: NHRA Rent Rebates – Misclassification of LA Error Overpayments

Cell Total (011): **£50,921,624**

Headline Cell (011): **£50,921,624**

Our initial test of 20 cases identified one error relating to a claim that included both NHRA and HRA expenditure. The LA, out of expediency, adjusted an overpayment relating to the NHRA portion of the claim in the HRA overpayment cell rather than the NHRA overpayment cell (one overall adjustment was performed across NHRA and HRA cells) with following result:

Cell 23 is overstated and Cell 26 is understated by £164.87; Cell 65 is overstated by £74.34 and Cell 61 is understated by £164.87. The net result of the under and overstatements is that subsidy is being correctly claimed at £90.53.

The treatment was intentional and the calculations were performed correctly, resulting in the correct amount of subsidy claimed. We therefore consider this to be an error in a technical sense albeit one which did not and could not affect the amount of subsidy claimed; for this reason we concluded that extended testing was not appropriate for this error.
