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Housing Benefit Unit
Housing Delivery Division
DWP Business Finance & Housing Delivery Directorate
Room B120D
Warbeck House
Blackpool
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FY2 0UZ

Section 151 officer Southend on Sea Borough Council

31 January 2023

Dear Sir

Housing Benefit (Subsidy) Assurance Process 2021/22 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 2022

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 11 September 2020 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2021/22 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 30/04/2022.

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 2021/22.

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 2021/22 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 2021/22 dated 30/04/22 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 Services (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 30/11/22 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.

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.

Cell 011 Non HRA Rent Rebates

No Claims were found to be in error.

Cell 055 HRA Rent Rebates

No Claims were found to be in error.

Cell 094 Rent Allowances

No claims were found to be in error.

Cell 225 Modified schemes - evidence to support War disablement Pension

No claims were found to be in error.

Completion of Modules

Completion of Module 2

We have tested the parameters which the authority has updated on its system against the updating checklist 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.

CAKE testing included:

- 1) Rent Rebates Cell 055 – Incorrect calculation of earned income
- 2) Rent Allowances Cell 094 – Incorrect calculation of private occupational pensions
- 3) Rent Allowances Cell 094 – Incorrect calculation of state retirement pension
- 4) Rent Allowances Cell 094 – Incorrect calculation of earned income
- 5) Rent Allowances Cell 094 – Incorrect Non-dependent deduction applied
- 6) Rent Allowances Cell 102 – Incorrect rent liability
- 7) Rent Allowances Cell 113 – LA error overpayment misclassification
- 8) Modified scheme Cell 225: Evidence to support War Disablement Pension

The following CAKE tests have returned no errors and are considered as closed:

Rent Allowances Cell 094 – Incorrect calculation of state retirement pension

Modified scheme Cell 225: Evidence to support War Disablement Pension

Summary paragraph/ending of letter

For the form MPF720A dated 30/04/22 for the year ended 31 March 2022 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: 

Date: 31 January 2023

Appendix A Exceptions/errors found

Cell 055 Non HRA Rent rebate - Incorrect calculation of earned income

Cell Total: £14,459,776

Cell Total: £374,080 – sub population

Cell Population: 3236

Cell Population: 123 – sub population

Headline Cell - £14,459,776

In 2018/19, 2019/20 it was identified that the Local Authority had incorrectly calculated earned income. In 2020/21, our initial testing did not identify further errors.

However, during 2021/22, given the nature of the population and the errors found in the previous years, 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 £4,502) which had resulted in an overpayment of housing benefit to a total of £3 due to miscalculating the claimant's earned income.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to four decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 0 cases	Incorrect calculation of earned income – Cell 055	£14,459,776	£0	£0		
CAKE sample – 40 case	Incorrect calculation of earned income – Cell 055	£374,080	£3	£130,514		
Combined sample - 40 cases	Combined – incorrect earnings calculation – Cell 055	£374,080	£3	£130,514	0.0023%	
Corresponding adjustment:	Combined sample – Cell 61 is overstated	£374,080	£3	£130,514	0.0023%	£9
Corresponding adjustment:	Total amendment – Cell 65 is understated					(£9)

Cell 094 Overpaid benefit – Incorrect calculation of private occupational pensions**Cell 094: Rent Allowances****Cell Total: £38,323,102****Cell Total: £2,493,038 – sub population****Cell Population: 5,953****Cell Population: 502 – sub population****Headline Cell: £38,323,102**

In 2018/19, 2019/20, it was identified that the Local Authority had incorrectly calculated private occupational pension. In 2020/21, our initial testing did not identify further errors.

During our initial testing in 2021/22, we did not identify any cases where the Local Authority incorrectly calculated Private Occupational Pensions. Given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon private occupational pension was tested. This additional testing identified the following:

- 1 case (value £6,426) which resulted in an overpayment of housing benefit to a total of £49 in 2021/22 due to incorrect calculation of private occupational pension.
- 1 case (value £5,733) which had resulted in an underpayment of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

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 – 1 case	Incorrect private occupational pension Calculation	£38,323,102	£0	£486		
CAKE sample – 40 case	Incorrect private occupational pension Calculation	£2,493,038	£49	£196,383		
Combined sample - 41 cases	Combined – incorrect private occupational pension calculation – Cell 94	£2,493,038	£49	£196,383	0.025%	£622
Corresponding adjustment:	Combined sample – Cell 103 is overstated	£2,493,038	£49	£196,383	0.025%	£622
Corresponding adjustment:	Total amendment – Cell 113 is understated					(£622)

Cell 094 Overpaid Benefit – Incorrect calculation of earned income**Cell 094: Rent Allowances****Cell Total: £38,323,102****Cell Total: £6,376,259 – sub population****Cell Population: 5953****Cell Population: 1,081 – sub population****Headline Cell: £38,323,102**

In 2018/19 and 2019/20 it was identified that the Local Authority has incorrectly calculated earned income. In 2020/21, our initial testing did not identify further errors.

However, during 2021/22, given the nature of the population and the errors found in the previous years, 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 £11,545) which had resulted in an overpayment of housing benefit to a total of £150 due to miscalculating the claimant's earned income.
- 2 cases (value £11,167) which had resulted in an underpayment of housing benefit totalling £31.67. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.
- 1 case (value £4646) which had resulted in a nil impact of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the nil impact identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 2 Case	Incorrect earned income Calculation	£38,323,102	£0	£11,545		
CAKE sample – 40 cases	Incorrect earned income Calculation	£6,376,259	£150	£204,018		
Combined sample - 42 cases	Combined – incorrect earnings calculation – Cell 94	£6,376,259	£150	£215,563	0.07%	£4467
Corresponding adjustment:	Combined sample – Cell 103 is overstated	£6,376,259	£150	£215,563	0.07%	£4467
Corresponding adjustment:	Total amendment – Cell 113 is understated					(£4467)

Cell 094 Overpaid benefit – Incorrect Non-dependent deduction applied**Cell 094: Rent Allowances****Cell Total: £38,323,102****Cell Total: £3,161,775 – sub population****Cell Population: 5953****Cell Population: 285 – sub population**

In 2018/19, 2019/20 it was identified that the Local Authority has incorrectly applied the non-dependent deduction and it has resulted in an overpayment of benefit. In 2020/21, our initial testing did not identify further errors.

However, during 2021/22, given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon non-dependent deduction calculation was tested. This additional testing identified:

- 1 case (value £812) where the Council has incorrectly applied the non-dependent deduction, generating an overpayment of £137.
- 4 cases (value £18,316) which had resulted in a nil impact of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the nil impact identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

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 – 1 cases	Incorrect non-dependent deduction calculation	£38,323,102	£0	£3,950		
CAKE sample – 40 cases	Incorrect non-dependent deduction calculation	£3,161,775	£137	£227,723		
Combined sample - 41 cases	Combined – incorrect non-dependent deduction calculation Cell 94	£3,161,775	£137	£231,673	0.060%	£1,897
Corresponding adjustment:	Combined sample – Cell 103 is overstated	£3,161,775	£137	£231,673	0.060%	£1,897
Corresponding adjustment:	Total amendment – Cell 113 is understated					(£1,897)

Cell 113 Expenditure misclassification
Incorrect classification of LA error and administrative delay eligible overpayments

Cell Total: £38,323,102

Cell Total: £28,829

Cell population 253 Cases

Headline Cell: £38,323,102

In 2018/19, 2019/20 claims it was identified that Cell 113 LA error and administrative delay overpayments included overpayments that has been incorrectly classified. In 2020/21, our initial testing did not identify further errors.

Given the nature of the population and the errors in previous years, an additional 40 cases where an assessment in the subsidy period was based upon LA error in Cell 113. This additional testing identified:

- 2 cases (value £187) have been incorrectly included in Cell 113 LA error and administration delay overpayments and should have been in Cell 114 eligible overpayments. As a result, Cell 113 has been overstated by £187 and Cell 114 has been understated by the corresponding amount. There is no impact on the headline Cell 094. The error ranged from £0.01 to £187.

This is the fourth year this error has been identified in the H187BAP Report.

The following table is based on these findings.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 1 case	Incorrect classification - LA error	£38,323,102	£0	£415		
CAKE sample – 40 cases	Incorrect classification -LA error	£28,829	£187	£3,685		
Combined sample - 41 cases	Combined -incorrect classification LA error	£28,829	£187	£4,100	4.56%	£1,315
Corresponding adjustment:	Combined sample - Cell 113 is overstated	£28,829	£187	£4,100	4.56%	£1,315
Corresponding adjustment:	Total amendment - Cell 114 understated					(£1,315)

Appendix B Observations

Error type N/A and Errors that do not affect Subsidy claim

Rent allowances Cell 094 – Incorrect calculation of state retirement pension

Cell Total: £38,323,102

Cell Total: £7,225,523 sub population

Cell Population: 5955

Cell Population: 1255 – sub population

In 2018/19 and 2019/20 it was identified that the Local Authority has incorrectly calculated state retirement pension. In 2020/21, our initial testing identified one State Retirement Pension case (value £485) with no errors.

However, in 2021/22, given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon state retirement pension was tested. This additional testing did not identify any errors. This error is now cleared and does not require further testing.

Rent allowances Cell 102 – Incorrect rent liability

Cell Total: £38,323,102

Cell Total: £12,147,086– sub population

Cell Population: 5955

Cell Population: 2004 – sub population

In 2018/19 and 2019/20 it was identified that the Local Authority had incorrectly input the rent liability and it has resulted in benefit overpayment. In our initial testing, no errors were identified.

Given the nature of the population and the errors in previous years, an additional 40 cases where an assessment in the subsidy period was based upon the rent liability being correctly included in the assessment. This additional testing identified:

- 2 cases (value £17,700.05) which had resulted in an underpayment of housing benefit (value £1). As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.
- 1 case (value £7,499.96) which had resulted in a nil impact of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the nil impact identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

Modified Scheme

Cell 225 – Modified Schemes

Cell Total: 27,628

Cell population: 12 Cases

Last year we identified 1 case where the claimant was not in receipt of a War disablement pension. As a result, Cell 225 had been overstated by £2,558, and Cell 214 Overstated by the same amount. This error was identified by the Local Authority in 2020/21 and amended accordingly. The Local Authority tested all the remaining 11 cases to ensure the claimant was in receipt of a War Disablement Pension.

No further errors were identified.

This year in 2021/22, given the nature of the error in the previous year, 100% testing has been performed to assess whether War disablement has been awarded correctly. The testing did not identify cases where war disablement has been awarded incorrectly. This error is now cleared and does not require further testing.

Rent Allowances: Manual Adjustments to Monthly Claim

In our initial testing on Rent Allowances, we have identified 1 case (value £9618.84) where the claimant is paid monthly. Since documentation on the workbooks does not accommodate claimants who are paid monthly instead of on a 4-weekly basis, this has resulted in the calculation sheet unable to balance appropriately.

Therefore, we have (as per DWP Instructed us last year) manually amended the calculation sheet to balance the case. We have separately performed testing on a separate document to confirm that the monthly payments agreed to the subsidy paid. No errors were found in the testing. Therefore, no further work proposed.

System reconciliation of benefit granted to benefit paid

The Authority's benefits administration (Northgate) reconciles benefits granted to benefits paid. The discrepancies identified through this reconciliation process are reported in SUB057 and SUB061 reconciliation reports. The reconciliation performed for the 2021/22 subsidy year identified the following known unresolved discrepancies, which results in an understatement of £18,802.81, there is no effect on subsidy. The Local Authority confirms its acceptance of submission on this basis, as this results in an underpayment of the contribution.

Payment Type	Claim Type	Total Posted £	Total Recon £	Total Subsidy £	Discrepancy £
CREDS	LANHRA	7,530.90	1,090.97	6,344.14	95.79
CREDS	PTEN	38,047,866.11	-290,358.73	38,336,957.05	- 1,267.79
RENTS	LANHRA	781,110.29	-35,717.99	817,040.90	212.62
RENTS	LAHRA	14,409,247.08	-82,084.89	14,473,488.54	- 17,843.43
		53,245,754.38	- 407,070.64	52,838,683.74	- 18,802.81

Appendix C: Amendments to the claim form MPF720A

We performed our Audit report on the original claim form, which did not include manual adjustments performed by the Local Authority. However, these adjustments have been made in the revised subsidy claim form. We experienced that adjustments to the subsidy Year 2021/22 Housing Benefit (subsidy) Assurance Process Report March 2022 are performed yearly by the Local Authority to process subsidy amounts due to claims involving entitlement to housing benefits on two homes and claims with underlying entitlement. These amounts cannot be processed through the Northgate benefits system and therefore are entered manually.

As our audit procedures are limited to those defined to us by the DWP in our instructions, and these do not include practices that are applicable to such adjustments, we have instead inquired into and obtained an understanding of these adjustments and can report that nothing has come to our attention that would suggest they are improper. In the 2021/22 subsidy year, these adjustments amount to a net £54,326 increase in subsidy on the final claim form.

Appendix D Additional issues

There were no additional issues.