

Reporting Accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2019-20

To: Housing Benefit Subsidy Team, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.

And: The Section 151 Officer of London Borough of Hillingdon, Section 151 Officer.

This report is produced in accordance with the terms of our engagement letter with the London Borough of Hillingdon dated 27 August 2020 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 London Borough of Hillingdon (the 'local authority') and the DWP.

Our report is prepared solely for the confidential use of the London Borough of Hillingdon and the DWP and solely for the purpose of facilitating the claim for Housing Benefit subsidy on form MPF720A dated 30 April 2020.

This report should not be copied, referred to or disclosed, in whole (save as otherwise permitted by the Standardised Engagement Terms) or in part, 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 DWP, we acknowledge that the local authority and/or 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 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 London Borough of Hillingdon and 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 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. They are 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 DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2019/20 dated 30 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 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 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, & 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

Cell 011 Non HRA Rent Rebate - Initial testing of Cell 011 identified that 1 claim (value £4,678) was incorrectly mis-classified due to the incorrect LHA rate being applied. This resulted in an overstatement of £18.

It was determined that this issue was isolated to a particular assessor and a small population of claims and so we tested an extended sample of all such claims by the assessor. (See Appendix C).

Cell 055 HRA rent rebate - Initial Testing of Cell 055 did not identify any errors.

Cell 094 Rent Allowance - Initial Testing of Cell 094 identified 2 claims (value £11,406) that had incorrect calculation of earnings, this has been covered in CAKE 40+ testing on Cell 94 earnings, therefore no new additional testing required. (See Appendix A)

Testing also identified 1 claim (value £3,351) that failed due to the incorrect rent liability being recorded. The error resulted in an underpayment of benefit but could equally have also resulted in an overpayment of benefit and so we selected an additional 40 items for testing. (See Appendix B).

Completion of Modules

Completion of Module 2 -Testing of the module 2 did not identify any errors arising from the incorrect application of system parameters.

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 Cumulative Assurance Knowledge and Experience (CAKE) testing based upon the preceding HBAP report for 2018-19. Where appropriate the Authority has completed testing of the sub populations for:

- Non-HRA Cell 11 – overpaid Benefit due to incorrect calculation of earned income. (See Appendix A)
- Rent allowances Cell 094 - overpaid Benefit due to incorrect calculation of earned income. (See Appendix A)

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 Appendix A.

Summary paragraph/ending of letter

For the form MPF720A dated 30 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 Appendices A, B, C and D)

Firm of accountants...EY LLP.....

Office...Reading.....

Contact details (person, phone and email) ...Suresh Patel, 020 7951 2340, SPatel22@uk.ey.com

Signature / stamp.....

*Suresh Patel for & on behalf of
EY & Yang LLP*

Date...29/01/21.....

Appendix A Exceptions/errors found

Cell 011 Overpaid benefit – Earned Income calculation error

Cell 011 Non HRA Rent rebate

Cell Total: £2,782,911

Cell Total: £1,008,534– sub population

Cell Population: 748 cases

Cell Population: 246 cases – sub population

Headline Cell: £2,782,911

In 2016/17, 2017/18, and 2018/19 we reported that the Local Authority had incorrectly calculated earned income resulting in an overpayment of benefit. During our initial testing in 2019/20 we identified no errors in respect of the incorrect calculation of earned income.

However, given the nature of the population and the errors found in the previous claims, we tested an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income.

This additional testing identified 3 claims where the Local Authority had incorrectly calculated earned income.

2 claims (total value £8,008) were discovered to have calculated earnings incorrectly resulting in an overpayment of £130.03. 1 claim (total value £11,222) had incorrect earnings calculated but this resulted in an understatement of £0.77. 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 earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 0 cases with earnings fails from 20 cases	Incorrect Calculation of Earnings – Cell 011	£1,008,534	£0	£35,662		
Additional testing sample – 40 cases (CAKE)	Incorrect Calculation of Earnings – Cell 011	£1,008,534	£130.03	£167,542		
Combined sample – 60 cases	Incorrect Calculation of Earnings – Cell 011	£1,008,534	£130.03	£203,204	0.07%	£706
Corresponding adjustment:	Cell 026 is understated	£1,008,534	£130.03	£167,542	0.07%	£706
	Cell 014 is overstated	£1,008,534	£130.03	£167,542	0.07%	(£706)
Total corresponding adjustment	Total amendment of Cells 14 and 26					£706

Appendix A Exceptions/errors found

Cell 094 Overpaid benefit – Earned Income calculation error

Cell 094: Rent Allowances total expenditure

Cell Total: £90,685,611

Cell Total £49,250,587 – sub population

Cell Population: 12,269 cases

Cell Population: 5,616 cases – sub population

Headline Cell: £90,685,611

In 2016/17, 2017/18 and 2018/19 we reported that the Local Authority had incorrectly calculated earned income resulting in an overpayment of benefit. During our initial testing, 2 claims (total value £11,406) were found to have incorrectly calculated earned income.

However, given the nature of the population and the errors found in the current year and also, in previous claims, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested.

This additional testing identified 3 claims where the Local Authority had incorrectly calculated earned income.

2 claims (total value £5,105) were discovered to have calculated earnings incorrectly resulting in an overpayment of £0.32. 1 claim (total value £7,423) had incorrect earnings calculated but this resulted in an understatement of £411.92. 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 earnings)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 0 case	Incorrect Calculation of Earnings – Cell 094	£49,250,587	£0.36	£94,611		
Additional testing sample – 40 cases (CAKE)	Incorrect Calculation of Earnings – Cell 094	£49,250,587	£0.32	£364,099	0.00%	
Combined sample – 60 cases	Incorrect Calculation of Earnings – Cell 094	£49,250,587	£0.68	£458,710	0..%	£0
Corresponding adjustment:	Cell 113 is understated	£49,250,587	£0.68	£458,710	0.00%	£0
	Cell 103 is overstated	£49,250,587	£0.68	£458,710	0.00%	£0
Total corresponding adjustment	Total amendment of Cells 103 and 113					£0

Appendix B Observations

Error Type 3 – underpaid benefit.

Where benefit has been underpaid, there is no impact on the amount of subsidy to be claimed because subsidy cannot be claimed on benefit that has not been awarded. Underpaid benefit must, therefore, be excluded from the calculation of a cell amendment or extrapolation in a qualification letter.

Cell 094 Overpaid benefit – Incorrect rent liability

Cell 094: Rent Allowances total expenditure

Cell Total: £90,685,611

Cell Total £24,053,836 – sub population

Cell Population: 12,269 cases

Cell Population: 4,161 cases – sub population

Headline Cell: £90,685,611

During our initial testing, 1 error was identified on incorrect rent liability. 1 claim (value £3,351) failed due to the incorrect rent liability being recorded. The error resulted in an underpayment of benefit of £0.08 but could equally have also resulted in an overpayment of benefit and so an additional 40 items were selected for additional testing.

However, given the nature of the population and the errors found in the current year an additional sample of 40 cases where an assessment in the subsidy period was based upon rent liability was tested. This additional testing identified:

0 cases which resulted in an overpayment of housing benefit due to miscalculating the rent liability. In line with the HBAP approach the error identified has been excluded from the calculation of a cell amendment or extrapolation.

Appendix C Amendments

There are no amendments to the claim to report. Our initial testing of cell 11 identified 1 isolated error on LHA rent cap. As a small population of LHA rent cap assessed by a particular assessor was reviewed and all additional 7 tests were satisfied it is not proposed that an amendment be made to the claim in year but will be settled in the subsequent year.

Appendix D Other matters

There are no other matters to report.