

Report to Audit Committee

Audit of Housing Benefit Subsidy 2019/20

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Green

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

25 March 2021

Purpose of Report

Attached to this report, at Appendix 1, is the outcome of the audit of the Housing Benefit Subsidy for the financial year 2019/20.

Executive Summary

The audit of the Housing Benefit Subsidy claim is undertaken by KPMG UK LLP. The outcome of this audit is attached to this report.

The summarised findings overall are positive, with one error identified as having an impact on the value of the claim. This was a minimal amount in relation to the value of transactions processed.

The initial testing identified one case in which the expenditure was misclassified due to system error, where a value had been understated. As such an additional 40 claims were tested to ensure that the correct calculation had been applied in each case. Additional testing of a random sample of 40 cases identified no further cases with this error.

Recommendations

That Members of the Audit Committee note the outcome of the Housing Benefit Subsidy audit 2019/20.



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Your ref KPMG/OLD/BEN01

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Private & confidential

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Anne Ryans
Director of Finance / S151
Oldham Metropolitan Borough council
Level 3, Civic Centre
West Street
Oldham
OL1 1UT

29 January 2021

Dear Anne,

Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2020

This report is produced in accordance with the terms of our engagement letter with Oldham Metropolitan Borough council dated 26 March 2019 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 Oldham Metropolitan 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 12th May 2020.

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 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 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 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. 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 2019/20 dated 12th May 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 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 12th May 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 and D.

The procedures specified in DWP's HBAP reporting framework instruction do 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.

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. 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

Initial Testing of Cell 011 identified 1 claim in which the system had incorrectly misclassified the expenditure between cells 14 and 15.

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

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2: We have completed the uprating 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 (CAKE)

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:

- Rent allowances – Incorrect self-employed earnings – 1 failure from 40 tested. (See Observation found – Appendix B)
- Rent allowances – Eligible overpayment classification – no failures from 40 tested.

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

Rent allowances – Eligible overpayment classification.

Summary paragraph/ending of letter

For the form MPF720A dated 12th May 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 Appendix A, B, C and D).

KPMG LLP

KPMP LLP

Chartered Accountants

Name for enquiries: Rob Jones.

Attachments:

- Appendix A Exceptions/errors found
- Appendix B Observations
- Appendix C Amendments
- Appendix D Other Matters

Appendix A Exceptions/errors found

Cell 14 and 15 expenditure misclassification

Cell 011: Non HRA Rent Rebates total expenditure

Cell 11 Total: £605,658

Cell 14 Total £172,358 – sub population

Cell 11 Population: 407 cases

Cell 14 Population: 125 cases – sub population

Headline Cell: £605,658

The initial testing of cell 11 identified 1 case (Value: £3,474.25) in which the expenditure was misclassified between cell 14 and 15 due to system error. Cell 14 had been understated as the claim for one week was not up to the full cap, and therefore Cell 15 had been overstated by £32.29. Additional 40+ testing was undertaken of Cell 14 to ensure that the correct cap has been applied in each case.

Additional Testing

Testing of an additional random sample of 40 cases identified no further cases with this error.

We have extrapolated this error over the population of cell14 cases below:

Sample	Movement / brief note of error:	Original cell total: sub population (claims in cell 14)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 9 cases	Cell 14/15 expenditure misclassification	£172,358	£32	£33,439		
CAKE sample – 40 cases	Cell 14/15 expenditure misclassification	£172,358	£0	£51,440		
Combined sample – 41 cases	Cell 14 expenditure misclassification	£172,358	£32	£84,879	0.038%	£65
Corresponding adjustment:	Cell 15 is overstated					-£65
Total corresponding adjustment	Total understatement of Cell 14					£65

Appendix B Observations

Cell 094 – Incorrect self-employed earnings

Cell 094: Rent Allowance total expenditure

Cell Total: £46,846,816

Cell Total £2,508,492 – sub population

Cell Population: 12,441 cases

Cell Population: 670 cases – sub population

Headline Cell: £46,846,816

Errors which do not affect the amount of subsidy claimed

The CAKE testing identified 1 case where self-employed earnings were incorrectly calculated, however as the self-employed earnings were 100% disregarded in the benefit calculation, this had no impact on the benefit entitlement or subsidy claimed.

Appendix C: Amendments to the claim form MPF720A

There are no amendments to report.

Appendix D Additional issues

There are no additional issues to report.

Housing Benefit Assurance Process (HBAP) Module 5: Capita - noncompliance data return - Appendix 2

Please indicate which control matrix questions the authority failed on completion of HBAP Module 5 and attach this Appendix 2 to the final HBAP Report submitted to DWP as specified in HBAP Modules 1 and 6.

NB: Reporting Accountants are required to confirm that module 5 has been completed within the final HBAP Report submitted to DWP as specified in HBAP Modules 1 and 6.

Audit Scotland, Wales Audit Office & Firms should also inform their HB Leads.

Authority: Oldham Metropolitan Borough council Audit Manager: Matthew Moore

HB System: Capita

Control Question:	Please indicate those questions that the authority failed:	Comments:	Included in qualification letter (yes or no)? If no please state reasons:
1) Has the authority used the correct version of the benefits software?	N/A		
2) Has the authority ensured that it has received all the relevant patches / upgrades throughout the year?	N/A		
3) Has the authority received and loaded the latest patch for the claim onto the benefits system?	N/A		
4) Has the authority performed all the recommended validation checks / recalculations suggested on patch upgrade?	N/A		
5) Has the authority used the correct version of the year end subsidy program to compile the claim?	N/A		
6) Has the standard claim reconciliation methodology been followed?	N/A		

Control Question:	Please indicate those questions that the authority failed:	Comments:	Included in qualification letter (yes or no)? If no please state reasons:
7) Can you agree claim compilation methodology to standard and have all claim reassessments / validation checks been complied with before claim completion?	N/A		
8) Has the claim form, with its included payment runs, been correctly completed to meet the definition of the Subsidy Order (see control objective 4 above)?	N/A		