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Private & confidential

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Our ref **Barnet/HBAP/19-20**

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London Borough of Barnet
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29 April 2021

Dear Sir/Madam

Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2020 at London Borough of Barnet

This report is produced in accordance with the terms of our engagement letter with the London Borough of Barnet dated 17 February 2021 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 the London Borough of Barnet 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 initially dated 11 May 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 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 the 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 on 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.

As Section 151 Officer of the Local Authority, you have responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. You 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 the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of the claim form MPF720A 2019/20 dated 11 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 and in accordance with the International Standard on Related Services (ISRS) 4400, *Engagements 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 11 May 2020, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported 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.

Summary of HBAP report

Exceptions/errors found – Five errors were identified in Cell 011 (Non-HRA Rent Rebates) related to the classification of eligible overpayments (two cases) and the application of the LHA cap in Cell 015 (three cases). No errors were identified in the initial testing of Cell 055 (HRA Rent Rebates) or Cell 094 (Rent Allowances). Seven errors were identified in the CAKE testing, four of which related to the incorrect application of the childcare disregard in Cell 055, and three of which related to the misclassification of overpayments as eligible overpayments in Cell 028.

Observations – One error was identified requiring observation in the initial testing for Cell 011 (Non-HRA Rent Rebates) related to an incorrect change to a non-dependent deduction which did not have a financial impact on the claim. No errors were identified requiring observation in the initial testing for Cell 055 (HRA Rent Rebates) or Cell 094 (Rent Allowances). No errors were identified in the CAKE testing related to claims in Cell 094 where the claimant had a partner, claims in Cell 099 requiring Rent Officer Referral or the classification of overpayments as eligible in Cell 114.

Amendments – As a result of our testing there have been no amendments to the claim form reported in Appendix C.

Other Matters – There were no other matters identified requiring reporting in Appendix D.

Summary of CAKE testing

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding Qualification Letter. Where appropriate the Local Authority has completed testing of the sub-populations for:

- Non-HRA Rent Rebates: Classification of eligible overpayments: claims within Cell 028
- HRA Rent Rebates: Application of the childcare disregard within Cell 055



- Rent Allowances: Application of partner income within Cell 103
- Rent Allowances: Cases requiring Rent Officer Referral: claims within Cell 099
- Rent Allowances: Classification of eligible overpayments: claims within Cell 114

The findings from this work is included in Appendices A, B, C and D.

For the form MPF720A dated 11 March 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 results set out in Appendices A, B, C and D.

Yours faithfully

KPMG LLP

KPMG LLP

Chartered Accountants

Name for enquiries: Hannah Andrews

Attachments:

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

Appendix A – Exceptions/errors found

Cell 055 Total expenditure benefit granted (HRA Rent Rebates)

Cell Total: £24,203,678

Cell Population: 5,532 cases

Overpayment: application of childcare disregard

No exceptions were identified in the initial testing relating to the correct application of childcare disregards for cases contained within Cell 055.

Due to an error reported in the prior year HBAP report, a random sample of 40 claims which included the childcare disregard within Cell 055 were tested to ensure that the disregard was correctly applied.

The additional testing identified:

- Two claims where Cell 055 was understated, with an impact of £316.45; and
- Two claims where Cell 055 was overstated, with an impact of £115.56.

Where Cell 055 was understated subsidy has not been overclaimed and this has not been reported as an exception.

The following table is based on these findings:

Sample:	Movement / brief note of error:	Cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	No errors identified	£24,203,678	£0	£86,936	0%	£0	
Additional sample - 40 cases	Application of childcare disregards	£24,203,678	(£116)	£186,400	0.06%	£14,522	
Combined Sample – 60 cases	Application of childcare disregards	£24,203,678	(£116)	£273,336	(0.04%)	(£9,681)	£24,193,997
Adjustment	Combined sample. Cell 065 is understated.		£116	£273,336	0.004%	£9,681	
Total Corresponding adjustment	Total overstatement of Cell 055					(£9,681)	

Cell 028 Eligible overpayments (Non-HRA Rent Rebates)

Cell Total: £382,669

Cell Population: 878 cases

Headline Cell: £21,498,620

Expenditure misclassification: classification of eligible overpayment

Two exceptions were identified in the initial testing relating to the correct classification of overpayments for cases contained within Cell 011:

- One case where Cell 014 was overstated and Cell 028 and 026 were understated with a total impact of £5,582.13 (£225.08 in Cell 028 and £5,357.05 in Cell 026); and
- One case where Cell 028 was understated and Cell 023 was overstated with a total impact of £109.20.

Due to an error reported in the prior year HBAP report, a random sample of 40 cases from Cell 028 were tested to ensure eligible overpayments were correctly classified. The additional testing identified three claims where Cell 028 was overstated, with an impact of £1,596.92.

The following table is based on these findings:

Sample:	Movement / brief note of error:	Cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 3 cases		£382,669	£5,691	£2,288	248%	£949,019	
Additional sample - 40 cases	Classification of eligible overpayments	£383,669	(£1,597)	£6,439	(24.8%)	£95,150	
Combined Sample – 43 cases	Classification of eligible overpayments	£383,669	£4,094	£8,727	47%	£180,324	£563,993
Adjustment	Combined sample. Cell 027 is understated.		£1,597	£8,727	18.3%	£70,211	
	Combined sample. Cell 23 is overstated.		(£109)	£8,727	(1.3%)	(£4,988)	
	Combined sample. Cell 14 is overstated.		(£5,582)	£8,727	(64%)	(245,547)	
Total Corresponding adjustment	Total understatement of Cell 028					£7,213	
	Total understatement of Cell 026					£173,111	

Cell 015 Expenditure above the lower of 90% of the appropriate LHA rate for the property plus the management costs element, and the upper limit (£500 or £375)
Cell Total: £2,336,268
Cell Population: 1,729 cases
Headline Cell: £21,498,620

Expenditure misclassification: application of the LHA cap

Three exceptions were identified in the initial testing relating to the correct application of the LHA cap within Cell 015.

- One case where Cell 015 was overstated and Cell 014 was understated with a total impact of £30.44;
- One case where Cell 015 was overstated and Cell 014 was understated with a total impact of £480.40; and
- One case where Cell 015 was understated and Cell 014 was overstated with a total impact of £102.26.

Where Cell 014 was understated and Cell 015 was overstated subsidy has not been overclaimed, and this has not been reported as an exception.

The following table is based on these findings:

Sample:	Movement / brief note of error:	Cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 11 cases		£2,336,268	£102	£20,313	0.5%	£11,681	
Additional sample - 40 cases	Application of LHA cap	£2,336,268	£0	£353,431	0%	£0	
Combined Sample – 51 cases	Application of LHA cap	£2,336,268	£102	£373,744	0.02%	£467	£2,336,735
Adjustment	Combined sample. Cell 014 is overstated.		(£102)	£373,744	(0.02%)	(£467)	
Total Corresponding adjustment	Total understatement of Cell 015					£467	

Appendix B – Observations

Cell 103: Expenditure in claims administered under LHA rules

Cell Total: £129,400,205

Cell Population: 12,729

Headline Cell £186,739,686

Incorrect application of partner to the claim

No exceptions were identified in the initial testing relating to the application of a partner to the claim.

Due to an error reported in the prior year HBAP report, a random sample of 40 cases from Cell 103 were tested to ensure that partners were correctly applied.

No exceptions were identified from this testing.

Cell 099: Total expenditure up to the maximum rent

Cell Total: £8,262,024

Cell Population: 834

Headline Cell £186,739,686

No valid rent officer referral

No exceptions were identified in the initial testing relating to the lack of evidence of Rent Officer Referral.

Due to an error reported in the prior year HBAP report, a random sample of 40 cases from Cell 099 were tested to ensure that Rent Officer Referral had been correctly obtained.

No exceptions were identified from this testing.

Cell 114: Eligible Overpayments

Cell Total: £3,075,761

Cell Population: 7,165

Headline Cell £186,739,686

Classification of overpayments as eligible overpayments

No exceptions were identified in the initial testing relating to the classification of overpayments as eligible overpayments.



Due to an error reported in the prior year HBAP report, a random sample of 40 cases from Cell 114 were tested to ensure that the eligible overpayments had been classified correctly.

No exceptions were identified from this testing.

Cell 11: Non-HRA Rent Rebates

Cell Total: £3,812,074

Cell Population: 265

Headline Cell £21,498,620

Incorrect application of non-dependent deduction

One exception was identified in the initial testing relating to the incorrect application of a non-dependent deduction. This error did not have a financial impact on subsidy claimed.

A random sample of 40 cases from Cell 011 with a non-dependent were tested to ensure that the deductions had been applied correctly.

No exceptions were identified from this testing.



Appendix C – Amendments

There are no amendments to report.

Appendix D – Other Matters

There are no further matters to report.