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**Private & confidential**

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Section 151 Officer  
Winchester City Council  
Colebrook Street  
Winchester  
SO23 9LJ

20<sup>th</sup> November 2019

Dear Sir/Madam

**Reporting accountant's report for the Housing Benefit Subsidy claim form  
MPF720A for the year ended 31 March 2019**

This report is produced in accordance with the terms of our engagement letter with Winchester City Council dated 20<sup>th</sup> March 2019 and the standardised engagement terms in Appendix 2 of Housing Benefit (Subsidy) Assurance Process ("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 Winchester City Council ("the Local Authority") 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<sup>th</sup> April 2019.

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 2018/19.

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 2018/19 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 form MPF720A 2018/19 dated 5<sup>th</sup> November 2019 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 5<sup>th</sup> November 2019, 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 – As a result of CAKE testing performed in line with Module 6, we identified two types of error requiring extrapolation: incorrect income used in the benefit calculation for both Rent Rebates and Rent Allowances. This is detailed in Appendix A.

Observations – As a result of our testing we are reporting one observation regarding the results of the CAKE testing arising from the amendment to the 2017/18 subsidy. This is detailed in Appendix B.

Amendments – As a result of our testing there has been one amendment to the claim form regarding an income entry in cell 214. This is detailed in Appendix C.

Other Matters – There were no other matters arising from our testing which we wish to bring to the attention of the DWP.

### **Summary of CAKE testing**

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

- Rent rebate cases with earned income.
- Rent allowance cases with earned income.
- 'AFFO' tenure type cases.



**KPMG LLP**  
*Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the  
year ended 31 March 2019  
20th November 2019*

For the form MPF720A dated 30<sup>th</sup> April 2019 for the year ended 31<sup>st</sup> March 2019 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: Rees Batley

*Attachments:*

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



## **Appendix A – Exceptions/errors found**

Cell 055: Rent rebates – Total expenditure (Benefit Granted)

Detailed Cell 061 total £11,163,354

Sub-Population £1,000,005

Cell Population 302

Headline cell £11,603,757

### **Miscalculation of earned income**

In 2017/18 the Council's previous reporting accountants identified four errors relating to the miscalculation of claimants earned income in Rent Rebate cases.

During the 2018/19 year, testing of the initial sample identified 0 cases where benefit had been misstated as a result of the Authority miscalculating the claimant's earned income.

However, in line with Module 6, we selected a random sample of 40 cases from Cell 55 with earned income during the 2018/19 year. This additional testing identified three cases where the earned income was miscalculated. One case (total value £4,711) resulted in an underpayment. 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 errors for subsidy purposes. Two cases (total value £4,593) resulted in an overpayment, total value of £3, and this error results in cell 061 being overstated and cell 065 being understated. There is no impact on the headline cell.



Sample:	Movement / brief note of error:	Original 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]	
Initial sample – 4 cases:	No errors noted	£1,000,005	£0	£9,734			
Additional sample – 40 cases:	Cell 061 overstated. Cell 065 understated.	£1,000,005	(£3)	£118,332			
Combined sample 44 cases:	Combined sample. Cell 061 overstated.	£1,000,005	(£3)	£128,066	0.002%*	(£24)	
Combined sample	Combined sample. Cell 061 overstated.	£11,163,354				(£24)	£11,163,330
Corresponding adjustment:	Combined sample. Cell 065 understated.	£8,623				£24	£8,647

\*This percentage is rounded to 3 decimal percentage points

The percentage error rate in our sample reflects the individual cases selected. The total value of the errors found is £3 and the benefit periods ranged from nine to 29 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in an amendment to this cell that will allow me to conclude that it is fairly stated.

This is the first year we are reporting accountants for Winchester City Council. Therefore this is the first year we have reported this issue. However, this issue has been reported by the Authority's previous reporting accountants in the prior year.



Cell 094: Rent allowances – Total expenditure (Benefit Granted)  
Detailed Cell 102 total £7,870,114  
Sub-Population £1,202,457  
Cell Population 282  
Headline cell £13,487,509

### **Miscalculation of earned income**

In 2017/18 the Council's previous reporting accountants identified four errors relating to the miscalculation of claimants earned income in Rent Allowance cases.

During the 2018/19 year, testing of the initial sample identified 0 cases where benefit had been misstated as a result of the Authority miscalculating the claimant's earned income.

However, in line with Module 6, we selected a random sample of 40 cases from Cell 094 with earned income during the 2018/19 year. This additional testing identified seven cases (total value £35,895) where the earned income was miscalculated. Five cases (total value £29,574) resulted in an underpayment. 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 errors for subsidy purposes. Two cases (total value £6,321) resulted in an overpayment, total value of £117, and this error results in cell 102 being overstated and cell 113 being understated. There is no impact on the headline cell.



Sample:	Movement / brief note of error:	Original 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]	
Initial sample – 1 cases:	No errors noted	£1,202,457	£0	£5,446			
Additional sample – 40 cases:	Cell 102 overstated. Cell 113 understated.	£1,202,457	(£117)	£164,099			
Combined sample 41 cases:	Combined sample. Cell 102 overstated.	£1,202,457	(£117)	£169,545	0.07%*	(£832)	
Corresponding adjustment:	Combined sample. Cell 102 overstated.	£7,870,114				(£832)	£7,869,282
Corresponding adjustment:	Combined sample. Cell 113 understated.	£18,484				£832	£19,316

\*This percentage is rounded to 2 decimal percentage points.

The percentage error rate in our sample reflects the individual cases selected. The total value of the errors found is £117 and the benefit periods ranged from 11 to 35 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in an amendment to this cell that will allow me to conclude that it is fairly stated.

This is the first year we are reporting accountants for Winchester City Council. Therefore this is the first year we have reported this issue. However, this issue has been reported by the Authority's previous reporting accountants in the previous two years.





## Appendix B – Observations

Cell 055: Rent rebates – Total expenditure (Benefit Granted)  
Cell total £11,603,757  
Cell Population 2,849  
Headline cell £11,603,757

Testing of a random sample of 40 cases in accordance with Module 6 where CAKE testing is generated by an amendment to the previous year's subsidy claim identified no errors of the same type identified in 2017/18 subsidy. Per Module 6, the absence of any error provides sufficient assurance that the issue has been resolved, therefore the issue need not be considered under the CAKE arrangements in the 2019/20 subsidy period.

No further observations have been identified or are required for reporting.

## Appendix C – Amendments

### Cell 214

In the original claim form, cell 214 did not reconcile to cell 225. It was noted that the manual adjustment to cell 225 had not also been adjusted in cell 214. The corresponding adjustment has now been amended in the final claim.

Cell	Original Figure	Total Amendment	Final Figure
214	39,229	472	39,701

No further amendments are required.

## Appendix D – Other Matters

There are no Other Matters we wish to bring to the attention of DWP in relation to the 2018/19 subsidy claim form.