

# **Auditor certification of the 2017/18 housing benefit subsidy claim**

## **Technical guidance note TGN/HBS/18**



 **AUDIT SCOTLAND**

Prepared for appointed auditors in the local authority sector

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# Contents

<b>Overview</b> .....	<b>5</b>
<b>1 Introduction</b> .....	<b>6</b>
Purpose of technical guidance note.....	6
Changes from 2016/17.....	6
Nature of scheme.....	6
Funding arrangements.....	7
Contact point.....	7
<b>2 Auditor certification overview</b> .....	<b>8</b>
Purpose of section.....	8
HB COUNT modules.....	8
Testing methodology.....	9
Submission of claim to auditor.....	9
<b>3 Preliminary procedures</b> .....	<b>10</b>
Purpose of section.....	10
Preliminary procedure 1 - Completion of form.....	10
Preliminary procedure 2 - Correct form.....	11
<b>4 Testing procedures</b> .....	<b>12</b>
Purpose of section.....	12
Test 1 - Benefit granted.....	12
Test 2 - Reconciliation to benefit paid.....	13
Test 3 - Initial testing.....	13
Test 4 - In-year reconciliation cells.....	14
Test 5 - Uncashed cheques.....	15
Test 6A - Disproportionate rent increase deduction - exemption.....	15
Test 6B - Disproportionate rent increase deduction - no exemption.....	16
Test 7 - Modified schemes subsidy.....	17
Test 8 - Administration subsidy.....	18
Test 9 - Interim benefit subsidy.....	18
<b>5 Evaluating results of initial testing and agreeing amendments</b> .....	<b>19</b>
Purpose of section.....	19
Auditor expectations.....	19

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Errors .....	19
Additional testing .....	20
Agreed amendments .....	22
<b>6 Completion procedures .....</b>	<b>27</b>
Purpose of section.....	27
Completion procedure 1 - Covering letter .....	27
Completion procedure 2 - Submission of certified claim by auditor .....	28
<b>Appendix 1 .....</b>	<b>29</b>
Auditor action checklist.....	29
<b>Appendix 2 .....</b>	<b>32</b>
Rules for completing claim .....	32
<b>Appendix 3 .....</b>	<b>34</b>
CIS registration and data protection .....	34
<b>Appendix 4 .....</b>	<b>36</b>
Examples of the format to be used when reporting errors in covering letters.....	36

# Overview

Key points on this claim		
<b>Description of scheme</b>		
A scheme by which local authorities claim funding from the Department for Work and Pensions towards the cost of paying housing benefit in their local areas.		
<b>Claim reference</b>	<b>Deadline to auditors</b>	<b>Auditor certification deadline</b>
MPF720B	30 April 2018	30 November 2018
<b>Risk areas</b>		
<ol style="list-style-type: none"> <li>1 Benefit granted in the claim form does not agree to final subsidy reports.</li> <li>2 Benefit granted in the subsidy system does not reconcile to subsidy paid in the subsidy system.</li> <li>3 The in-year reconciliation cells do not agree with the corresponding total expenditure cell.</li> <li>4 Uncashed cheques do not result in the necessary adjustments to subsidy.</li> <li>5 The criteria for the disproportionate rent increase exemption are not met.</li> <li>6 Expenditure on modified schemes is not properly treated.</li> <li>7 Administration subsidy is not properly stated.</li> <li>8 Interim benefit subsidy is not properly stated.</li> </ol>		
<b>Address for certified claim</b>		
Department for Work and Pensions Operations Finance Housing Delivery Division Housing Benefit Unit-Room B120D Warbreck House Blackpool Lancashire FY2 0UZ		
<b>TGN publication date and relevant year</b>	<b>Professional Support contact point</b>	
9 April 2018 for 2017/18 claims	Anne Cairns Tel 0131 625 1926 E-mail: <a href="mailto:acairns@audit-scotland.gov.uk">acairns@audit-scotland.gov.uk</a>	

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# 1 Introduction

## Purpose of technical guidance note

1. The purpose of this technical guidance note from Audit Scotland's Professional Support is to provide external auditors appointed by the Accounts Commission with guidance on certification of the 2017/18 housing benefit (HB) subsidy claim.
2. It is a condition of the Department for Work and Pensions (DWP) that external auditors in Scotland should use the testing and reporting approach set out in Public Sector Audit Appointments Ltd's (PSAA) HB COUNT approach. This technical guidance note therefore provides guidance on the application of HB COUNT to the certification of subsidy claims of Scottish local authorities.
3. Appointed auditors are required by the [Code of audit practice](#) to review, as part of their audit appointment, approved grant claims and other financial returns submitted to grant-paying bodies by local authorities to provide reasonable assurance as to whether they are fairly stated and in accordance with specified terms and conditions. One of the approved claims that auditors are required to certify is in respect of the HB subsidy scheme.
4. Auditors are required to express their conclusion in a certificate attached to each claim. The review and reporting process performed by auditors is therefore described as certification of each claim.
5. Although this note provides a concise summary of HB subsidy, it may still be necessary for auditors to refer to the source material on which this note is based for points of detail (see Appendix 2).
6. Auditors should also refer to the general guidance on the certification of claims provided by [technical guidance note TGN/GEN/18](#).

## Changes from 2016/17

7. This technical guidance note has been revised to reflect amendments to HB regulations and the subsidy order.

## Nature of scheme

8. The HB subsidy scheme is the means by which local authorities claim subsidy from the DWP towards the cost of paying HB in their local areas.
9. Benefit schemes of rent rebates for tenants of a local authority and rent allowances for private tenants are provided for by the *Social Security Contributions and Benefits Act 1992* and the *Social Security Administration Act 1992* (as amended).
10. Claimants obtain these benefits either by direct application to the authority or by applying simultaneously for income support/jobseekers allowance and HB to the DWP. Eligibility for, and the amount of, HB is determined in all cases solely by the local authority.

## Funding arrangements

11. Provision for subsidies is made in sections 140A to 140G of the Administration Act and in *The Income-related Benefits (Subsidy to Authorities) Order 1998* (as amended). With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the rate of 100%.
12. Monthly instalments of subsidy are made by the DWP on the basis of authorities' estimates in March and August on form MPF714B. Final subsidy claims are made on claim form MPF720B which requires to be certified by the external auditor.

## Contact point

13. The contact point in Professional Support for this technical guidance note is Anne Cairns, Manager (Professional Support) - [Acairns@audit-scotland.gov.uk](mailto:Acairns@audit-scotland.gov.uk).

# 2 Auditor certification overview

## Purpose of section

14. This section provides an overview of the auditor certification arrangements, including an explanation of HB COUNT.

## HB COUNT modules

15. The HB COUNT approach is set out in a number of modules, and those of relevance to auditors in Scotland are summarised in the following table:

Module	Content	Available
2: Uprating	A checklist to help auditors ensure that the local authority's system is using the correct benefit parameters to calculate benefit entitlement and to claim subsidy.	Now
3: Workbooks	Workbooks to be completed for detailed testing, including step-by-step guidance and a test result summary.	Now (follow the guidance provided on the <i>Technical reference library</i> )
4: Analytical review tool	A tool that provides year-on-year comparison and key ratios for analytical review.	From May/June 2018
5: Software diagnostic tool	A tool that ensures the subsidy claim has been completed using the recognised software for claim completion, and reconciles benefit 'granted' to benefit 'paid' in accordance with the software supplier's instructions. Deviations from the software supplier's standard approach are identified and assessed so that appropriate action can be taken.	From June 2018 (for each software supplier)

16. Modules 1 and 6 do not apply in Scotland and are replaced by the guidance on the required approach to testing provided at sections 4 and 5 of this technical guidance note, and on reporting at section 6.

## Changes in 2017/18

17. HBCOUNT has been updated to reflect changes to the regulations and subsidy order. A key change is that subsidy is no longer paid on temporary accommodation management costs from April 2017.

## Testing methodology

18. A key element of the HB COUNT approach involves auditors selecting a sample of benefit cases and undertaking detailed testing using the HB COUNT Module 3 workbooks. The focus of the testing is to check that benefit has been awarded in accordance with regulations, and that subsidy has been properly claimed. It has the following stages
  - An initial random sample of cases should be selected.
  - Where initial testing identifies errors, auditors should critically evaluate the reasons to determine what action and further testing is necessary.
  - Where testing identifies issues that can be resolved, auditors should agree amendments to the claim form to be made by the authority.
  - Where testing identifies issues that require a qualification to the auditor's conclusion on the claim form, they should be included in a covering letter.
19. Auditors should note that compliance with the testing arrangements set out in this technical guidance note is a condition of the DWP. Auditors should also have regard to the guidance in the HB COUNT help file, which has been agreed with the DWP.
20. Auditors are allowed 'read only' access to the HB data held on the DWP's customer information system (CIS) provided auditors have completed
  - the employee authentication service registration process with one of the local authorities at which they will be undertaking the certification work. Auditors should refer to Appendix 3, which also considers other data protection issues
  - the CIS e-learning package.

## Submission of claim to auditor

21. The subsidy claim forms are provided in a pdf format, and the completed pdf form is submitted by local authorities to the DWP by email. In addition, the DWP requires local authorities to scan and email them the first page of the claim form and the local authority certificate page.
22. Local authorities are required to submit a hard copy of the claim form, including a completed local authority certificate, to external auditors. The submission deadline for 2017/18 to both the DWP and auditors is 30 April 2018.

# 3 Preliminary procedures

## Purpose of section

23. This section sets out the preliminary procedures that auditors should carry out when they receive the claim form.

## Preliminary procedure 1 - Completion of form

### Auditors should check that

- all relevant parts of the claim have been properly completed
- the authority certificate bears the original signature of the Chief Financial Officer
- all arithmetic on the claim is correct (confirmed by using the pdf form).

24. The subsidy claim form provides the analysis of qualifying expenditure on HB required by the DWP and for the calculation and summary of the related subsidy. The 1998 Order defines qualifying expenditure as the total of rent rebates and rent allowances granted by the local authority during the relevant year, subject to certain deductions. The mechanics of the form provide for the subsidy claimed in respect of expenditure on pages 2 to 9 to be calculated, transferred and summarised on page 1 of the form.

25. The claim form is divided into sections as summarised in the following table:

Headline cell	Content	Covered by auditor's certificate
011	Total expenditure on rent rebates Analysed in cells 012 to 015 and 022 to 028, prior years overpayments in cells 029 to 033, and backdated expenditure in cell 038	Yes
094	Total expenditure on rent allowances Analysed in cells 095 to 117, prior years overpayments in cells 118 to 124, and backdated expenditure in cell 131	Yes
179S	subsidy additions and deductions (uncashed payments)	Yes
180a to 190S	Disproportionate rent increase	Yes
201 to 210S	Local authority error subsidy at cells (pre-populated)	No
212 to 216S, and 225	Modified schemes	214 Yes Other cells No

26. The pdf version of the claim form completes all necessary calculations and transfers of amounts between cells. Cells with a "S" suffix contain calculations or transferred amounts. Other cells are summarised in the following table:

Cells	Comments
001, 002, 005 and 008	Pre-populated by the DWP and are not covered by the auditor's certificate
003, 004, 006, 007 and 009	Automatically populated as the rest of the claim form is completed
016 to 020, 039 to 054, 080 to 093, 132 to 178, 191 to 200 and 211	Not used
055 to 079, 209, and 217 to 224	Do not apply to Scotland

## Preliminary procedure 2 - Correct form

**Auditors should confirm that they are reviewing the most up-to-date version of the form by checking that the claim form presented for certification includes an entry in every cell including a zero entry in any cell that does not apply.**

27. The pdf form includes a validation check that all cells have been completed. However, it is possible for authorities to avoid carrying out this validation check, which would allow the form to be submitted with blank cells.
28. The DWP will perform checks at initial final claim stage to identify blank cells and may require re-submission, but it is possible that an authority may not provide an updated version to auditors. The claim form presented for certification should include an entry in every cell, including a zero entry in any cell that does not apply.

# 4 Testing procedures

## Purpose of section

29. This section sets out the testing procedures that auditors should carry out on the claim form.

## Test 1 - Benefit granted

**Auditors should confirm for rent rebates and rent allowances that benefit granted in the claim form (total expenditure in the headline cells) agrees to final subsidy reports in accordance with HB COUNT module 5.**

30. Entries in the headline cells 011 and 094 represent the total expenditure for rent rebates and rent allowances in terms of benefit granted by the authority during 2017/18. Total expenditure includes
- overpayments identified in the year relating to HB paid in the year (but not overpayments identified in the year relating to HB paid in an earlier year)
  - backdated awards which apply where an application for HB is submitted for a period before the effective date of the claim and the authority has treated the claim as if it were made from the earlier date. They should be separately identified but otherwise should be treated in the same way as other expenditure attracting full rate subsidy
  - extended payments which are those payments made for four weeks because certain benefits have ceased due to a claimant or partner starting work or increasing their wages.
31. Certain expenditure does not attract subsidy and is, as appropriate, either excluded entirely from the claim or identified in cells which do not generate subsidy. The following should be excluded from the headline cells
- amounts in respect of the deductions specified in article 19 of the 1998 Order which are principally: benefit expenditure arising as a result of the cost of services or facilities which a tenant may choose whether or not to have (modular improvement/differential rent schemes); the value of most cash payments to tenants including rent free weeks and credits; and modified schemes (see test 7)
  - amounts in respect of uncashed or returned instruments of payment that are not reissued or replaced (see test 5). Articles 19 and 20 of the 1998 Order require an adjustment to subsidy claims in respect of instruments of payment returned to the authority or passed their expiry date without being presented for payment. Where uncashed or returned instruments of payment are subsequently reissued or replaced authorities may only claim subsidy once
  - disproportionate rent increases deduction (see test 6)
  - overpayments and recovered departmental overpayments identified in the current year where the original payment was made in a previous year. To effect the necessary subsidy deduction, such overpayments and recoveries are recorded in the overpayment and

recovery cells of the claim form for the year in which the overpayment is identified or the recovery made.

32. For 2017/18, HB expenditure related to temporary accommodation management costs, included in the headline cells (011 and 094), should be shown in the relevant 'above the subsidy cap' cell (015 or 107) attracting a nil subsidy rate.
33. Subsidy should not be claimed in 2017/18 for HB which is due for a period falling wholly within the financial year 2018/19, but which is issued in 2017/18 to ensure timely receipt; subsidy for those payments should be claimed in 2018/19. Where a payment is made for a period which bridges two financial years, subsidy should be claimed in the year in which the payment is made.
34. Entries in the cells which analyse the totals in the headline cells (rent rebates in cells 012 to 033 and 038, and rent allowances in cells 095 to 124 and 131) should be completed on the same basis as the headline cells, i.e. based on benefits granted and excluding the categories of expenditure set out at paragraph 31.
35. Auditors should confirm for each benefit type that benefit granted in the claim form (total expenditure in the headline cells) agrees with the figure for benefit granted used in the software supplier's reconciliation of benefit granted to benefit paid per the benefit software. Auditors should refer to any differences in a covering letter. Rounding differences do not require to be reported.

## Test 2 - Reconciliation to benefit paid

**Auditors should confirm for rent rebates and rent allowances that benefit granted in the subsidy system has been reconciled to benefit paid in the subsidy system in accordance with the software provider's instructions and as set out in HB COUNT module 5.**

36. Benefit granted will be more than the amount physically paid (in cash or by credit) in cases where deductions are made to recover overpayments or excess payments. Authorities should be able to reconcile benefit granted to benefit paid.
37. Auditors are not required to review any reconciliation between benefits paid per the benefits system and the general ledger or accounting systems.

## Test 3 - Initial testing

**Auditors should select an initial sample of 20 cases from the headline cells for rent rebates and rent allowances and test the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry as set out in the HB COUNT module 3 workbooks.**

38. Auditors should select an initial random sample of 20 cases from the audit trails that support the headline cells for rent rebates (cell 011) and rent allowances (cell 094) on the claim form

(i.e. a total sample of 40). If the test population for a benefit type is less than 100, auditors may reduce the initial sample pro rata, e.g. a population of 49 would require a sample of 10.

39. A sample case is defined by its case reference number. All benefit transactions in the year against the case reference number require to be tested.
40. The work required on the initial samples involves testing the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry. The detailed testing required is set out in the HB COUNT Module 3 workbooks, which record whether each case passes or fails each test. Guidance on evaluating the results of the initial tests is provided at section 5.
41. If testing is started early using an audit trail other than the final claim form, the details tested must be agreed to the final claim form audit trail before the claim is certified. Any differences must be examined and the impact assessed before the claim is certified.
42. The DWP introduced risk based verification (RBV) on a voluntary basis from April 2012. Any local authorities opting to apply RBV are required by the DWP to have a RBV policy in place detailing their risk profiles, the verification standards which will apply, and the minimum number of claims to be checked. There is no national model for the RBV policy.
43. The RBV policy must be clear about the levels of verification to be applied by a local authority. Auditors are not required to approve the content or format of any RBV policy, and should not do so. The content and scope of the policy is a matter for the local authority.
44. For certification purposes, the application of a local authority's RBV policy to individual benefit claims should be considered in the sample testing of cases under HB COUNT for 2017/18. Where RBV is not applied to a new claim or change of circumstance the prevailing standards of evidence to support claims for benefit and subsidy claimed apply.

## Test 4 - In-year reconciliation cells

**Auditors should check that the in-year reconciliation cells for rent rebates and rent agree with the corresponding total expenditure cell.**

45. Each section of the claim form contains an in-year reconciliation cell which is calculated automatically by the pdf form in accordance with cell instructions. Cells 037 and 130 should agree with the entries in the headline cells 011 and 094 respectively. The in-year reconciliation cells seek to confirm that the figure in each total expenditure cell is supported by the analysis of expenditure that follows it.
46. However, there is no validation check forcing the two figures to be equal before the authority can certify the form. The DWP has confirmed it will pursue any differences at the initial claim stage and require an authority to undertake further work and provide the results of this work to its auditor. Auditors should refer to any differences remaining or identified at the final claim stage in their covering letter. The DWP may require authorities to resolve these differences but auditors are not required to do so. Differences due to roundings between the housing

benefit system outturn reports and the entries made on the claim form do not require to be included in the covering letter.

## Test 5 - Uncashed cheques

**Auditors should check that uncashed cheques and other expired instruments of payment result in the necessary adjustments to subsidy.**

47. Local authority procedures for writing back uncashed cheques and expired instruments of payment must secure the necessary adjustments to subsidy, as subsidy is not payable on these items.
48. Auditors should examine prime documents and assess whether the authority's system for dealing with uncashed cheques, etc results in them being excluded from the subsidy claimed. The adjustments to subsidy are as follows
  - Uncashed cheques, etc identified in the financial year of issue should have been deducted from the total qualifying expenditure for the year and from any other cell on the form in which the expenditure was included (e.g. from overpayments).
  - Uncashed cheques, etc from a previous financial year should have been accounted for by including the subsidy claimed in the previous year(s) in cell 179S.

## Test 6A - Disproportionate rent increase deduction - exemption

**Where the authority has claimed exemption from the disproportionate rent increase deduction, auditors should assess whether the relevant exemption criteria has been met.**

49. A disproportionate rent increase (DRI) deduction is required in calculating qualifying expenditure where the average rent of tenants receiving rebates has increased between 31 March 2017 and 31 March 2018 by a higher percentage than the percentage increase in the average rent of tenants who are not receiving rebates.
50. Exemptions from the DRI deduction can be obtained if an authority can demonstrate that it has set rents to reflect the characteristics of individual dwellings and services provided rather than the HB status of tenants. There are two alternatives by which an authority can gain exemption from the DRI rule as summarised in the following table:

Category	Meaning	Conditions	Claimed by clicking yes in cell
A	Open and transparent rent-setting policies which apply to all tenants regardless of their HB status	<p>Policies and practices set rents for 2017/18 solely according to the type, condition, class or description of the dwelling and according to the services, facilities or rights provided to the tenant.</p> <p>Rent-setting policies and practices for 2017/18 have resulted in reasonable charges, having due regard to the type, condition, class or description of the dwelling and according to the services, facilities or rights provided to the tenant.</p> <p>Rent-setting policies and practices have no regard to a tenant's present or future HB status.</p> <p>Letting policies and practices in 2017/18 and the previous two years did not have regard to a tenant's present or future HB status.</p>	180b
B	Rent increased by a common percentage	<p>An authority has to be able to demonstrate that</p> <ul style="list-style-type: none"> <li>• it had no DRI deduction for 2016/17; and</li> <li>• there is clear evidence that rent increases during 2017/18 were the same percentage and applied on the same day for all tenants.</li> </ul>	181b

51. It is the responsibility of the authority to demonstrate to auditors that it qualifies for exemption under either of these categories.

## Test 6B - Disproportionate rent increase deduction - no exemption

**Where the authority does not have exemption from the DRI deduction, auditors should check that**

- the entries in cells 184a to 185b are supported by control totals produced by the rents system
- the totals are accurate
- the amounts in respect of modular improvements and HB eligible service charges have been included in average rents
- the DRI percentage figure in cell 182 agrees to the authority's documentation supporting the entry in cell 188 of the 2016/17 subsidy claim form
- cells 182 to 190s have been properly completed.

52. If the authority does not gain exemption it will be required to carry out a simple calculation based on the DRI abatement applied in the preceding year, multiplied by any new abatement arising from a DRI in 2017/18.
53. The percentage figure for the disproportionate increase in rent rebates in 2016/17 should be entered in cell 182. The disproportionate increase factor for 2016/17 calculated by dividing the figure shown in cell 182 by 100 and shown to four decimal places, should be entered in cell 183.
54. The entries in cells 184 and 185 require the authority to separately identify the average weekly rent of dwellings as summarised in the following table:

Tenants in receipt of rebate at 31 March 2018?	Average rent at 31 March 2017	Average rent at 31 March 2018
Yes	Cell 184(a)	Cell 184(b)
No	Cell 185(a)	Cell 185(b)

55. It is not relevant whether the benefit status of the tenant was the same on both dates, or whether the tenant had changed, as it is the HB status of the tenant on 31 March 2018 that is relevant when determining the average rents. Entries in the above cells should be supported by control reports produced by the rent system, and auditors should be satisfied that these are accurate by testing individual cases from listings provided in support of the control totals. Amounts attributable to modular improvement schemes should be included in the average rent as should all those service charges which are eligible for HB.
56. If an authority is unable to comply with the requirements of the determination or has performed its calculation on a different basis, auditors should report the facts to the DWP in a covering letter, and set out the rent-setting policy adopted, e.g. 'The local authority has increased its rents since March 2017 by applying the same percentage increase to all rents' or 'by applying cash increases based on the size of each dwelling'. Covering letters should explain how the increases were applied and not simply report that the increases were uniform and made with no regard to tenant status.

## Test 7 - Modified schemes subsidy

### Auditors should check that expenditure on modified schemes has been

- properly identified in cells 214 and 225
- excluded from other cells on the form.

57. Where an authority operates a discretionary local scheme (referred to in the form as a modified scheme) to disregard any war pension over and above the statutory disregards (i.e. £10 for war pensions, £91.31 for supplementary pre-1973 war widow's pensions, and £101.31 where both pensions are in payment), the increased benefit paid as a result of the

discretionary scheme does not count as qualifying expenditure and is to be excluded from the claim (i.e. excluded from cells 011 and 094 and supporting cells).

58. However, a local authority operating a discretionary scheme receives a 0.2% addition to subsidy, capped at 75% of the total benefit cost of the discretionary scheme to the authority. The total expenditure due to a discretionary scheme (referred to as voluntary on the form) should be entered in cell 214, and should be supported by control reports and totals which reconcile to the claim. Details of the individual cases making up these amounts should be produced by the HB system and should be tested to demonstrate that the scheme requirements have been applied correctly. The entry in cell 214 covers all rent rebate and rent allowance cases.
59. The entry in cell 214 is analysed by benefit type in the table at cell 225. Auditors should agree this analysis to the control records provided to support cell 214. The entry in cell 214 and the total in cell 225 should be the same. Auditors may wish to use the workbook for the relevant benefit type to test the entry in cell 214.

## Test 8 - Administration subsidy

**Auditors should check that administration subsidy in cell 005 agrees to**

- the DWP's 16 March 2018 letter
- the authority's financial statements.

60. The amount for administration subsidy in cell 005 is pre-filled by DWP and cannot be amended. However, auditors should agree the amount entered to the amount notified by the DWP in their letter dated 16 March 2018 letter. The amount should also agree to the authority's financial statements.

## Test 9 - Interim benefit subsidy

**Auditors should check that interim benefit subsidy in cell 008 agrees to**

- the DWP's 16 March 2018 letter
- the authority's financial statements.

61. Interim benefit subsidy in cell 008, which includes amounts received in respect of HB expenditure and administration subsidy, is pre-filled by DWP and cannot be amended. Auditors should agree the entry in cell 008 to DWP's 16 March 2018 letter and to the authority's financial statements.
62. The entry in cell 008 should not include amounts received after the initial final claim is certified by the CFO, as the DWP's systems take automatic account of any later payments.

# 5 Evaluating results of initial testing and agreeing amendments

## Purpose of section

63. This section provides guidance on evaluating the results of test 3.

### **Auditors should evaluate the outcome of the initial testing and**

- **consider whether results match their expectations**
- **critically evaluate the reasons for errors**
- **conduct additional testing where errors affect the amount of subsidy or relate to overpayments**
- **agree amendments to the claim form with the local authority.**

## Auditor expectations

64. Where initial testing produces results that do not match auditor expectations, additional work will be necessary to confirm the position. The additional work required should take into account what the authority says it has done to address previous amendment and qualification issues.
65. For example, where misclassification of overpayments has been identified in previous work, but no cases are identified in this year's initial sample, an additional sample of cases from the overpayment cells should be examined to confirm that the misclassification of overpayments has been addressed by the authority and does not affect the claim for all or part of the current period.

## Errors

66. Where initial testing identifies errors, auditors should critically evaluate the reasons. Errors should not be simply corrected in the current claim form without addressing the likelihood of similar errors in the population. It may be possible to conclude on the impact of the error as summarised in the following table:

Nature of error	Auditor response
Error is representative of the population (e.g. when system parameters are wrong)	<p>Auditors should</p> <ul style="list-style-type: none"> <li>extrapolate the results of the initial testing</li> <li>agree an amendment to the claim form to be made by the local authority.</li> </ul>
Error is an isolated case	<p>Isolated errors are likely to be rare, and the presumption should be that an error is not isolated without a clear compelling case. An additional sample will therefore usually be required to confirm that an error in the initial sample is isolated. Where an additional sample shows no further errors, a conclusion that an error is isolated requires to be supported by, for example, the results of other testing, including by internal audit, or evidence from another source.</p> <p>Auditors should</p> <ul style="list-style-type: none"> <li>clearly record how they reached the conclusion that an error is isolated</li> <li>agree a simple amendment to the claim to be made by the authority.</li> </ul>
Error affects cells with relatively small populations (e.g. less than 100 cases)	<p>Where initial test findings show there are errors affecting cells with relatively small populations, and auditors are not in a position to agree an amendment, the remainder of the population should be examined to allow an agreed amendment to be made.</p> <p>Where auditors are satisfied with the results, they can then agree a simple amendment to the claim to be made by the local authority.</p>
Not possible to reach any of the above conclusions	Auditors should perform additional testing to help determine the significance of the errors found in the initial sample.

## Additional testing

67. Additional testing is required for

- errors which affect the amount of subsidy claimed, and it is not possible to reach any of the above conclusions
- all errors identified in overpayments because of the complicating factors of local authority error and administrative delay subsidy and the subsidy entitlement conditions which apply to prior year overpayments.

68. Where possible, the authority should undertake any additional testing. Auditors should specify the work to be done and review the work carried out, including an element of re-performance. If the authority declines to carry out the additional testing required, auditors should perform it having discussed the impact on the audit fee with the authority.

69. Errors which by their nature do not affect the amount of subsidy claimed (e.g. the misclassification of HB cases between cells of the same subsidy value) no longer require additional testing, unless they relate to overpayments. Auditors should however refer to the initial sample results in a covering letter.

### Sub-populations

70. If auditors are unable to conclude that errors are isolated, the initial test findings should be examined to establish whether there is a pattern to the errors. This may allow the identification of a sub-population (e.g. a particular case type or assessor). An additional sample of at least 40 cases is required which drills down into that sub-population only.
71. The additional sample should concentrate only on the error found, e.g. where an application form is unsigned, auditors should test whether forms in an additional sample were signed rather than carry out all the validity checks required by the workbook.
72. Auditors can then extrapolate the results of the initial and additional testing and agree an amendment to the claim form to be made by the authority. Where an amendment cannot be agreed, the additional information should be included in the covering letter, including any effect on other cells on the form.

### 40+ approach

73. Where auditors are not in a position to agree an amendment after the initial testing, and drilling down into a sub-population is not possible, the approach agreed with the DWP is to select and test an additional random sample. A minimum sample of 40 cases should be selected from each cell where the initial testing identified errors.
74. The 40+ approach is useful where the nature and extent of errors found in the initial sample indicates that errors in the total population will be variable. The testing should focus on the errors identified in the initial sample.
75. After the testing is complete
- where the results of initial and additional testing allow, auditors can extrapolate the results and agree an amendment to the claim form to be made by the authority
  - where the results of testing do not allow agreed amendments to be made, the results of both the initial sample and the additional testing should be set out in a covering letter, including any effect on other cells on the form.
76. 40+ testing is not required for errors which by their nature do not affect the amount of subsidy claimed (e.g. the misclassification of HB cases between cells of the same subsidy value, with the same method of entitlement calculation, which produce the same amount of qualifying expenditure), and errors that would always result in underpaid benefit and therefore an under claim in subsidy. The initial sample results only need to be reported under the observations heading in a covering letter (see Appendix 4). All overpayments are excluded from this 40+ exemption due to the complicating factors of local authority error and administrative delay subsidy and the subsidy entitlement conditions which apply to prior year overpayments.

## Agreed amendments

77. Auditors should agree with the local authority simple or, where required, extrapolated amendments to the claim form, which should then be made by the local authority.

### Error types

78. To calculate a cell amendment (or an extrapolation for a covering letter), auditors should first determine the error type, as the DWP requires the different treatment of each type of error for subsidy purposes. This is summarised in the following table:

Error type	Impact on subsidy	Auditor response
1: Underpaid benefit	<p>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.</p> <p>Underpaid benefit must, therefore, be excluded from the calculation of a cell amendment or extrapolation in a covering letter.</p>	<p>The underpaid amount should be excluded from the sample error (which is explained at paragraph 80) but the value of the case excluding the underpayment tested should be included in the sample value. The fact that there are cases where benefit has been underpaid should be included in the observation section of the covering letter. Where the nature of the error could equally result in an overpayment, additional testing is required to try to establish if overpayments have been made.</p>
2: Missing claim forms	<p>Subject to the application of a local RBV policy, where the claim form (paper, document image or electronic format) to support the claim is missing, and the authority is unable to produce other evidence that a claim form was received, the case should be excluded in its entirety from the subsidy claim form. The cell adjustment or extrapolation in a covering letter should remove all expenditure on the case from the subsidy claim form, i.e. from the headline cell and detail cell(s).</p>	<p>Where a local RBV policy does not require a claim form, auditors should confirm the authority has complied with its RBV policy for the year in which the claim was determined.</p> <p>If the authority has not complied with its RBV policy, error type 6 is relevant.</p>

Error type	Impact on subsidy	Auditor response
3: Benefit overpaid or insufficient supporting information	Subject to the application of a local RBV policy, where benefit has been overpaid, or supporting information for part of the claim is missing or insufficient, the headline cell should not be adjusted, but the cell adjustment or extrapolation in a covering letter should remove the expenditure from the detail cell(s) in which the expenditure is reported and increase the appropriate overpayment cell(s) by a corresponding amount (e.g. local authority error overpayments will need to be increased where these errors are caused by an act or an omission by the local authority).	Where a local RBV policy operates, auditors should confirm the authority has complied with it. Where the application of the RBV policy does not enable the auditor to establish the subsidy classification, the case should nevertheless be admitted for subsidy provided the policy has been applied. This is because certification covers the application of the RBV policy, rather than its contents or adequacy. If the authority has not complied with its RBV policy, error type 6 is relevant.
4: Expenditure misclassification	Where benefit expenditure has been misclassified (e.g. misclassifying local authority error overpayments as eligible overpayments), the headline cell should not be adjusted, but the cell adjustment or extrapolation in a covering letter should remove the expenditure from the detail cell(s) in which the expenditure has been incorrectly reported and increase the cell(s) in which it should have been reported by a corresponding amount.	Errors which by their nature do not affect the amount of subsidy claimed do not require additional 40+ testing (unless overpayments).
5: Impact cannot be determined		Where the consequential impact of the error on other cells cannot be determined, or the testing identifies a combination of one or more of the above error types and these cannot be separated to enable an amendment or extrapolation for the consequential effect on other cells to be reported in a covering letter, the error(s) should be

Error type	Impact on subsidy	Auditor response
		reported in a covering letter against the cell(s) in which they were identified. The covering letter should state the reason why the corresponding entries could not be established.
6: Failure to apply the RBV policy	Where the authority has not applied its RBV policy (i.e. it has failed to apply the specified check), performed a check that does not meet the requirements of the RBV policy (e.g. the policy states eligible rent will be verified in all cases but the authority has simply agreed the rent to the direct debit on the claimant's bank statement, which does not verify eligible rent as the amount paid could include ineligible service charges), or cannot evidence that the check was performed (i.e. there is no record or prime documents to demonstrate the RBV policy check was performed), the headline cell is not adjusted but the cell adjustment or extrapolation in the covering letter should remove the expenditure from the detail cell(s) in which the expenditure is reported and increase the local authority error overpayment cell by a corresponding amount.	

79. Appendix 4 contains examples of the above error types and how these should be included in a covering letter.

### Calculating amendments

80. In order to calculate the amendment required to a cell total (or extrapolated figure to be included in a covering letter if an amendment cannot be made), auditors should multiply the cell (or sub-population) total by the proportion of the sample value that is found to be in error, i.e. Cell adjustment CA = (CT or SP) x SE/SV as explained in the following table:

Abbreviation	Expansion	Meaning (the value in £s of)
CT	Cell total	The cell from which the sample is drawn
SE	Sample error	The errors found in the sample, excluding cases where benefit has been underpaid (error type 1)
SP	Sub population	The sub population from which the additional sample is drawn
SV	Sample value	The sample tested

81. SE/SV is referred to in the standard covering letter as the percentage error rate.
82. Where testing identifies that expenditure has been incorrectly classified and some errors have the effect of increasing the amount that should be included in a cell and others the effect of decreasing the amount in that cell, the sample error should be the net figure.

### Corresponding amendments

83. In cases where testing results in an amendment to a cell (or an extrapolated figure included in a covering letter), the effect on other cells needs to be considered and corresponding amendments made or extrapolations provided. If corresponding amendments cannot be identified, the covering letter should explain why.
84. Amendments and extrapolations in covering letters require to satisfy the in-year reconciliation check in each section of the claim form. The failure to deal with the impact of amendments on other cells is likely to cause the in-year reconciliation to fail which would result in the DWP returning the claim to the authority for further work to be carried out.
85. It should be noted that all 2017/18 expenditure appears in the headline cell and in the detail cells which provide the supporting analysis. Only prior year overpayments do not appear in either the headline cell or the in-year reconciliation cells.

### Making and checking amendments

86. Amendments should be agreed with the authority and the claim returned to the authority for amendment and recertification. Where certification work results in agreed amendments to cell entries, authorities are required to
- amend a pdf version of the form (not in manuscript) because this will ensure the amendments are automatically reflected in calculations and amounts transferred between cells
  - perform the validation check
  - print a copy of the amended form
  - initial all input cells which have been amended (it is not necessary to initial changes to cells that contain calculations or cells that contain amounts transferred from other cells as these are updated automatically by the form)

- certify the amended form.
87. Auditors should check that all agreed amendments to input cells have been made and initialled by the authority and check that no other input cells have been amended.
88. However, where the number and nature of amendments is so complicated that auditors cannot come to a conclusion overall, it is appropriate to qualify rather than amend the claim.

# 6 Completion procedures

## Purpose of section

89. This section sets out the completion procedures that auditors should carry out after they have performed, and evaluated the results of, the required testing.

## Completion procedure 1 - Covering letter

**Auditors should include any qualified conclusions or observations in a covering letter.**

90. Auditors should conclude whether or not the claim is fairly stated and in accordance with the relevant terms and conditions. Any qualified conclusion should be set out in a covering letter referred to in the auditor's certificate. Auditors should complete the auditor certificate and covering letter in accordance with technical guidance note TGN/GEN/18.
91. Auditors should note that compliance with the reporting requirements of this technical guidance note is a condition of the DWP.
92. Where the results of testing do not allow agreed amendments to be made, the results of the testing should be set out as a qualified conclusion in a covering letter, including any effect on other cells on the form. The information required, and the structure for including it in a covering letter, is as follows
- cell number and description, total, and population, and headline cell value
  - a summary of the results from initial and additional testing set out in a tabular format
  - the range of errors found in terms of value and benefit period, and note any differences in error rates between the initial and additional testing
  - an explanation of how the errors occurred and the reason for them
  - the error type
  - the potential effect the error has on the subsidy claim
  - any additional relevant information e.g. mentioning if similar errors have arisen in previous years or stating the action the authority is taking to resolve the issue
  - an explanation as to why an amendment to the cell entry is not possible.
93. Appendix 4 provides examples of how the results of testing should be reported to the DWP in covering letters.
94. It is important that auditors ensure they explain why testing has not resulted in a cell amendment and the subsidy implications. The aim is to leave the DWP in no doubt about the conclusions auditors have reached, and therefore auditors should present their findings clearly and unequivocally. The DWP will use this information to decide what further action is required. For example, it may decide to settle the claim based on the test findings or may need the local authority to do more work, particularly if the problem has continued for some years. The key

point is that the testing approach provides a basis for DWP to make such decisions and, hopefully, to achieve settlement of claims without further recourse to auditors.

95. Auditors should consider and set out the potential impact of qualifying a conclusion in respect of one cell on the form on the other cells, including the headline and in-year reconciliation cells. For example, where misclassification of overpayments results in a qualified conclusion, a corresponding qualified conclusion should be considered for the other overpayment cells affected. Similarly, where testing of overpayments identifies missing files, auditors should consider the potential impact on all cells, including the total expenditure cells that include expenditure on the case for which the file is missing.
96. The observations section of the covering letter template should be used to refer to errors found during initial testing that do not affect the subsidy claimed.

## Completion procedure 2 - Submission of certified claim by auditor

**Auditors should send a certified copy of the claim form and the covering letter to the DWP (and submit to Professional Support) by 30 November 2018.**

97. The certified copy of the claim form and covering letter should be submitted by 30 November 2018 direct to
 

Department for Work and Pensions  
Operations Finance  
Housing Delivery Division  
Housing Benefit Unit-Room B120D  
Warbreck House  
Blackpool  
Lancashire  
FY2 0UZ
98. Auditors should advise authorities of any anticipated delays so that they can, if they wish, formally ask the DWP for an extension to the auditor certification deadline. The DWP will not accept extension requests from auditors.
99. Auditors should submit a copy of the certified claim form and their covering letter to Professional Support by
  - emailing [outputs](#) (firms)
  - adding them to the relevant local authority's 'outputs' library in ishare (ASG).

# Appendix 1

## Auditor action checklist

Preliminary procedures	Yes/No/N/A	Initials/date	W/P ref
1. Have you checked that <ul style="list-style-type: none"> <li>• the authority's arrangements for the completion of the claim appear adequate?</li> <li>• all relevant parts of the claim have been properly completed?</li> <li>• the authority certificate bears the original signature of the Chief Financial Officer?</li> <li>• all arithmetic on the claim is correct (confirmed by using the pdf form)?</li> </ul>			
2. Have you confirmed that you are reviewing the most up-to-date version of the form by checking that the claim form presented for certification includes an entry in every cell including a zero entry in any cell that does not apply?			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
1. Have you confirmed for rent rebates and rent allowances that benefit granted in the claim form (total expenditure in the headline cells) agrees to final subsidy reports in accordance with HB COUNT module 5?			
2. Have you confirmed for rent rebates and rent allowances that benefit granted in the subsidy system has been reconciled to benefit paid in the subsidy system in accordance with the software provider's instructions?			

<p>3. Have you selected an initial sample of 20 cases from the headline cells for rent rebates and rent allowances and tested the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry as set out in the HB COUNT module 3 workbooks?</p>			
<p>4. Have you checked that the in-year reconciliation cells for rent rebates and rent allowances agree with the corresponding total expenditure cell?</p>			
<p>5. Have you checked that uncashed cheques and other expired instruments of payment result in the necessary adjustments to subsidy?</p>			
<p>6. Have you assessed whether the relevant exemption criteria from the disproportionate rent increase deduction has been met (where the authority has claimed exemption)? <b>Or</b> Where the authority does not have exemption from the DRI deduction, have you checked that</p> <ul style="list-style-type: none"> <li>• the entries in cells 184a to 185b are supported by control totals produced by the rents system</li> <li>• the totals are accurate</li> <li>• the amounts in respect of modular improvements and HB eligible service charges have been included in average rents</li> <li>• the DRI percentage figure in cell 182 agrees to the authority's documentation supporting the entry in cell 188 of the 2016/17 subsidy claim form</li> <li>• cells 182 to 190s have been properly completed?</li> </ul>			

<p>7. Have you checked that expenditure on modified schemes has been</p> <ul style="list-style-type: none"> <li>• properly identified in cells 214 and 225</li> <li>• excluded from other cells on the form?</li> </ul>			
<p>8. Have you checked that administration subsidy in cell 005 agrees to</p> <ul style="list-style-type: none"> <li>• the DWP's 16 March 2018 letter</li> <li>• the authority's financial statements?</li> </ul>			
<p>9. Have you checked that interim benefit subsidy in cell 008 agrees to</p> <ul style="list-style-type: none"> <li>• the DWP's 16 March 2018 letter</li> <li>• the authority's financial statements?</li> </ul>			

Completion procedures	Yes/No/N/A	Initials/date	W/P ref
<p>1. Have you included any qualifications to your conclusion or any observations in a covering letter?</p>			
<p>2. Have you sent a certified copy of the claim form and the covering letter to the DWP (and submitted it to Professional Support) by 30 November 2018?</p>			

# Appendix 2

## Rules for completing claim

The following represent key sources of guidance in respect of completing the final subsidy claim and can be accessed by using the hyperlinks or can be downloaded by external auditors from the *Technical reference library*.

- [The Income-related Benefits \(Subsidy to Authorities\) Order 1998, SI 562](#), as amended
- [The Housing Benefit Regulations 2006, SI 213](#)
- [The Housing Benefit \(Persons who have attained the qualifying age for state pension credit\) Regulations 2006, SI 214](#)
- [The Housing Benefit and Council Tax Benefit \(Consequential Provisions\) Regulations 2006, SI 217](#)
- [Subsidy guidance manual](#)
- [Local housing allowance guidance](#)
- [Housing Benefit overpayments guide](#)
- [Housing Benefit subsidy claims: local authority best practice guide](#)
- Notes for guidance on completion of form MPF720B 2017/18
- DWP 16 March 2018 letter Housing benefit 2017/18 final subsidy claim (MPF720B) which enclosed the 2017/18 claim form and provides details of payments on account.

The following are listed for information only, and it should not be necessary to refer to these unless there is uncertainty or disagreement with the authority.

- **Subsidy circulars**
  - [S12/2017: Final payment for RTI BDM files issued for May 2017 to August 2017 and advance payment for RTI BDM files for September 2017 to January 2018](#)
  - [S11/2017: Additional New Burdens payments for 2017/18](#)
  - [S9/2017: Initial Payment for Real Time Information Bulk Data Matching Initiative 2017/18](#)
  - [S8/2017: Payment of New Burdens relating to the Single Fraud Investigation Service Project for 2017/18](#)
  - [S7/2017: Additional New Burdens funding to meet the costs of implementing welfare reform changes in 2017/18](#)
  - [S6/2017: Right Benefit Initiative 2017/18 Funding](#)
  - [S5/2017 \(Revised\): Removal of temporary accommodation management fee in Housing Benefit subsidy from 1 April 2017](#)
  - [S4/2017 \(Revised\): New Burdens funding: Changes to Work-related Activity Group payments in Employment and Support Allowance](#)

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- [S2/2017: Final New Burdens payment 2016/17 for the Real Time Information Bulk Data Matching Initiative](#)
  - [S10/2016: 2017/18 Housing Benefit administration subsidy arrangements for English, Scottish and Welsh local authorities](#)
  - **Adjudication and operations circulars**
    - [A8/2017: The Social Security \(Emergency Funds\) \(Amendment\) Regulations 2017](#)
    - [A7/2017 \(Revised\): Right Benefit Initiative 2017/18](#)
    - [A6/2017: The Pensions Act 2014 \(Consequential, Supplementary and Incidental Amendments\) Order 2017](#)
    - [A5/2017: The Social Security \(Restrictions on Amounts for Children and Qualifying Young Persons\) Amendment Regulations 2017](#)
    - [A4/2017: The Employment and Support Allowance and Universal Credit \(Miscellaneous Amendments and Transitional and Savings Provisions\) Regulations 2017. The Employment and Support Allowance and Universal Credit \(Exempt Work & Hardship Amounts\)\(Amendment\) Regulations 2017.](#)
    - [A3/2017 Revised\): The Housing Benefit and Universal Credit \(Size Criteria\) \(Miscellaneous Amendments\) Regulations 2017 in relation to the Supreme Court decision of 9 November 2016](#)
    - [A1/2017 War Pensions: Uprating 2017-18](#)
    - [A12/2016: Housing Benefit: Uprating 2017-18](#)
  - **Urgent bulletins**
    - [U4/2017: Closure of the gateway to new Universal Credit live service claims](#)

# Appendix 3

## CIS registration and data protection

### CIS registration

The DWP has arrangements in place to allow external auditors 'read only' access to its customer information system (CIS). Auditors who need access to HB data on the CIS will need to complete the employee authentication service (EAS) registration process with one of the local authorities at which they will be undertaking the work. Registration is completed by the EAS agent at the authority. It is not possible to provide access to CIS other than via the registration process.

Auditors should

- arrange an appointment with a local authority EAS agent to complete the registration process
- produce three documents from the DWP's approved list to support their registration application. The approved list is available to external auditors from the *Technical reference library*. Applicants are required to provide two documents from list (a) and one from list (b). The DWP has confirmed that the agent will not retain copies of any documentation shown by the auditor to support registration.

When registering an auditor's application, the local agent will

- take a photograph of the applicant
- record the first name, surname, and first four characters of the home postcode of the applicant
- record the serial numbers only of the documents provided to support the application
- ask the applicant to complete a DWP CIS e-learning package and sign a DWP confidentiality agreement.

The DWP requires that identity documents presented to support registration must be dated. They have suggested that a combination of a passport, a driving licence and a utility bill would be acceptable for auditor registration.

Once the applicant has been registered by the local authority agent, the application is authorised centrally by the DWP. During this process, the auditor's record will be removed from the local authority's control and view, and will be managed centrally by the DWP. When the registration has been authorised, the auditor can use the electronic token allocated to them at all authorities at which they undertake benefits work.

Where auditors do not access CIS but instead view CIS screen prints or copies of data from CIS on document imaging systems, auditors are required to only complete the DWP CIS e-learning package and sign a DWP confidentiality agreement.

The DWP plan to replace their EAS during 2018. Further details, including they revised set up arrangements for auditors and how existing audit users will migrate to the new system will be provided by Professional Support once available.

## Data protection

The nature of benefits testing means that auditors are collecting, recording and transferring personal data relating to individuals' claims for benefit. This data falls under the scope of the previous Data Protection Act 1998 and the new 2018 Data Protection Act reflecting the General Data Protection Regulations introduced to strengthen data protection arrangements. Key considerations include the collection, storing, transfer and discarding of benefits data, which should all be undertaken using secure means. Auditors should apply the following specific requirements to ensure secure handling and storage of personal data

- When obtaining data samples, the list provided by the authority should contain only sufficient information for the auditor to select their sample (not a full download of the data). The list should be sent to the auditor securely, stored securely, and destroyed securely (or returned) once the sample has been extracted.
- When recording data in the workbooks, auditors should record data as set out in the guidance to the workbooks. This ensures that the amount of personal data retained is minimised, and the data is kept in one specific area in the workbooks. Auditors should not record personal data in free text fields in the workbooks in a form that is identifiable to the individual.
- Any transfer of workbooks must be secure.
- Workbooks should be stored securely and destroyed when no longer needed under the normal audit data retention processes.

# Appendix 4

## Examples of the format to be used when reporting errors in covering letters

### Cross cutting qualification issues [Examples]

#### Local authority's certificate

The claim form certificate has been signed by the authority confirming that the administrative systems, procedures and key controls for awarding benefits operate effectively and the authority has taken reasonable steps to prevent and detect fraud. No evidence of work done to support this assertion has been provided by the authority. The errors identified this year are consistent with test findings in previous years, suggesting the authority has not changed its working practices or introduced internal controls to address previously identified issues.

The results of testing where this issue has been identified are recorded in this letter in qualifications against specific cells.

#### Data conversion and missing audit trails

During 2017/18 the Authority changed housing benefit systems from the XXXXX system to the YYYYY system. This process involved the transfer and conversion of subsidy data from the old system to the new. Although change control was implemented by the authority there has been no testing by Internal Audit or officers of the local authority to provide assurance that data conversion was successfully achieved and that exception reports generated have been cleared correctly. The housing benefits section has not undertaken any sample checks on the claim data prior to the completion of the claim. My testing has identified some data conversion errors and missing audit trails.

The authority is unable to identify the extent of any data conversion errors and establish if subsidy has been under or over claimed as a result. I am therefore unable to conclude that all entries on the claim are fairly stated and in accordance with the relevant terms and conditions. [see note 1]

The results of testing where this issue has been identified are recorded in this letter in qualifications against specific cells.

#### Benefit software: reconciliation of benefit granted to paid [see note 2]

The authority uses the XXXX benefit software. The software supplier provides a method for the authority to reconcile benefit granted per the benefit software to benefit paid per the benefit software.

The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differ by the amounts in column C below. The authority has performed the

software supplier's reconciliation but to fully reconcile benefit granted and paid the authority has also made the balancing adjustments set out in columns D and E below.

Cell:	A. Benefit granted per the claim form:	B. Benefit granted per the software supplier's reconciliation of benefit granted to paid:	C. Difference A minus B:	D. Benefit granted per the software supplier's reconciliation increased by	E. Benefit granted per the software supplier's reconciliation decreased by [See note 4]	F. Adjusted benefit granted figure per authority reconciliation B + D - E [See note 3]
011 – Rent Rebates	£240,999	£240,987	£12	£0	£1,342	£239,645
094 – Rent Allowance	£21,971,540	£21,971,540	£0	£0	£0	£0

ALTERNATIVELY: The Authority has not applied/has varied the software supplier's reconciliation process as follows (add text explaining what the authority has done).

#### In year reconciliation cells [see note 5]

Cells 037 and 130 should agree to the entries in cells 011 and 094 respectively. The following differences are noted:

Claim cell:	£ amount:	Claim – reconciliation cell:	£ amount:	Difference:
011 – Rent Rebates	£240,999	037	£240,867	£132
094 – Rent Allowance	£21,971,540	130	£21,971,736	(£196)

#### Cell 094: Rent Allowance – Total expenditure (Benefit Granted)

Cell Total £21,971,540

Cell Population 84,793

Headline Cell £21,971,540

Testing of the initial sample identified 5 cases where benefit had been underpaid as a result of the authority miscalculating the claimant's average weekly income. (see note 6)

As there is no eligibility to subsidy for benefit which has not been paid, the 5 underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy

purposes. However, because errors miscalculating the claimant's average weekly income could result in overpayments an additional random sample of 40 cases was tested. Two overpayments were identified (see note 7).

The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment :	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	Cell 094 underpayments due to 5 miscalculations of claimant's average income.	£21,971,540	(£0)	£30,457			
Additional sample - 40 cases	Cell 094 overstated due to 2 miscalculations of claimant's average income.	£21,971,540	£2,493	£90,834			
Combined Sample – 60 cases	Cell 094 overstated due to 2 miscalculations of claimant's average income.	£21,971,540	(£2,493)	£121,291	(2.0%)	(£439,431) (see note 8)	
Adjustment	Combined sample. Cell 095 is overstated.	£21,971,540	(£1,543)	£121,291	(1.2%)	(£263,659)	
Adjustment	Combined sample. Cell 099 is overstated.	£21,971,540	(£950)	£121,291	(0.8%)	(£175,772)	
Total corresponding adjustment	Total understatement of cell 113.				(£439,431) (see note 10)		

Similar findings have been included in my covering letters for the last two years (see note 11).

**Cell 094: Rent Allowance – Total expenditure (Benefit Granted)**

**Cell Total £21,971,540**

**Cell Population 84,793**

**Headline Cell £21,971,540**

Testing of the initial sample identified:

- 2 cases where the claim form could not be traced and the authority was unable to produce evidence that these claim forms were received; and
- 2 cases where the authority had overpaid benefit as a result of miscalculating the claimant's weekly income and 2 cases where the authority could not provide proof of income.

Each of these error types is dealt with separately below.

**Claim forms could not be traced and the authority is unable to produce evidence of receipt (see note 12)**

Testing of the initial sample identified 2 cases (total value £2,708) where the claim forms could not be traced and the authority was unable to produce evidence that these claim forms were received. Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the effect of these errors is to overstate cell 094 with a corresponding overstatement covering cells 095 and 099.

Testing of an additional random sample of 40 cases identified a further 2 cases (total value £1,893) where the claim forms could not be traced and the authority was unable to produce evidence that these claim forms were received. Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the effect of these errors is to overstate cell 094 with a corresponding overstatement covering cells 095 and 114.

The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	Cell 094 overstated due to 2 missing claim forms where the LA is unable to produce evidence of receipt.	£21,971,540	(£2,708)	£15,182			
Additional sample - 40 cases	Cell 094 overstated due to 2 missing claim forms where the LA is unable to produce evidence of receipt.	£21,971,540	(£1,893)	£30,734			
Combined Sample – 60 cases	Cell 094 overstated due to 4 missing claim forms where the LA is unable to produce evidence of receipt.	£21,971,540	(£4,601)	£45,916	(10.0%)	(£2,197,154) (see note 13)	
Adjustment	Combined sample. Cell 095 is overstated.	£21,971,540	(£3,189)	£45,916	(6.9%)	(£1,516,036)	
Adjustment	Combined sample. Cell 099 is	£21,971,540	(£1,362)	£45,916	(3.0%)	(£659,146)	

	overstated.						
Adjustment	Combined sample. Cell 114 is overstated.	£21,971,540	(£50)	£45,916	(0.1%)	(£21,972)	
Total corresponding adjustment	Total overstatement of cells 095, 099 and 114.					(£2,197,154) (see note 14)	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £567 to £1,942 and the benefit periods range from 1 week to 52 weeks. Similar findings have been included in my covering letters for the last two years (see note 11).

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

#### **Overpaid benefit / no proof of income [see note 10]**

Testing of the initial sample identified:

- 2 cases (total value £3,980) where the local authority had overpaid benefit as a result of miscalculating the claimant's weekly income. The effect of these errors is to overstate cells 099, 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094; and
- 2 cases (total value £1,250) where the local authority could not provide proof of income. Should the Department decide that the failure to provide proof of income means that subsidy has been overpaid, the effect of these errors is to overstate cells 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094.

Testing of an additional sample of 40 cases identified a further 3 cases (total value £2,893) where proof of income could not be established. Should the Department decide that the failure to establish proof of income means that subsidy has been overpaid, the effect of these errors is to overstate cells 099, 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement/ brief note of error	Original cell total:	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT] [see note 10]	[RA] [see note 15]
Initial sample - 20 cases	Income miscalculation and no proof of income.	£21,971,540	(£5,230)	£13,666			
Additional sample - 40 cases	No proof of income.	£21,971,540	(£2,893)	£48,770			
Combined sample - 60 cases	Income miscalculation and no proof of income/Income Support.	£21,971,540	(£8,123)	£62,436	(13.0%)	(£2,856,300) [see note 15]	
Adjustment	Combined sample. Cell 099 is overstated.	£21,971,540	(£1,019)	£62,436	(1.6%)	(£351,544)	
Adjustment	Combined sample. Cell 103 is overstated.	£21,971,540	(£1,362)	£62,436	(2.2%)	(£483,374)	
Adjustment	Combined sample. Cell 114 is overstated.	£21,971,540	(£5,742)	£62,436	(9.2%)	(£2,021,382)	
Total corresponding adjustment	Total understatement of cell 113.					(£2,856,300) [see note 10]	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £513 to £3,467 and the benefit periods range from 8 weeks to 52 weeks. Similar findings have been included in my covering letters for the last two years [see note 11].

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

**Cell 113: Rent Allowance – Local Authority Error Overpayments (Current Year) [see note 17]**

**Cell Total £225,982**

**Cell Population 683**

**Headline Cell £21,971,540**

Testing of the initial sample identified:

- 1 case (value £164) where the overpayment should not have been raised and cell 113 is therefore overstated and cell 095 (regulated tenancies) is correspondingly understated; there is no effect on cell 094; and
- 1 case (value £61) where the overpayment was incorrectly calculated and cell 113 is understated and cell 103 (LHA expenditure) is correspondingly overstated there is no effect on cell 094.

Testing of an additional random sample of 40 cases identified 3 cases (total value £226) where the dates have been incorrectly applied and part of the overpayment should have been classified in cell 114 (eligible overpayments) not cell 113. Consequently, cell 113 is overstated and cell 114 is correspondingly understated there is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement/ brief note of error	Original cell total:	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	Cell 113 overstated. Cell 095 understated.	£225,982	£164	£4,352			
Initial sample - 20 cases	Cell 113 understated. Cell 103 overstated.	£225,982	(£61)	£4,352			
Initial sample - 20 cases	Combined results for initial sample.	£225,982	£103	£4,352			
Additional sample - 40 cases	Cell 113 overstated. Cell 114	£225,982	£226	£10,634			

Sample:	Movement/ brief note of error	Original cell total:	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment:	Revised cell total if cell adjustment applied:
	understated.						
Combined sample 60 cases	Combined sample. Cell 113.	£225,982	£329	£14,986	2.2%	£4,972	£221,010 [see note 18]
Corresponding adjustment	Combined sample. Cell 095 understated.	£225,982	£164	£14,986	1.1%	(£2,486)	
Adjustment:	Combined sample cell. Cell 103 overstated.	£225,982	(£61)	£14,986	(0.4%)	(£904)	
Adjustment:	Combined sample cell. Cell 114 understated.	£225,982	£226	£14,986	1.5%	(£3,390)	
Adjustment:	Cell 113- LA error and administrative delay is overstated.					£4,972 [see note 19]	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £41 to £164 and the benefit periods range from 5 days to 2 weeks. Similar findings have been included in my covering letters for the last two years [see note 11].

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 it is fairly stated.

**Cell 094: Rent allowance– Total expenditure (Benefit Granted) [see note 10]**

**Cell Total £21,971,540**

**Cell Total £10,831,222 – sub population**

**Cell Population 84,793 Headline**

**Cell £21,971,540**

Testing of the initial sample identified 2 cases (total value £1,250) where the local authority could not provide proof of Income Support. Should the Department decide that the failure to

provide proof involves overpaid subsidy, the effect of these errors is to overstate cells 099 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094.

Given the nature of the population and the errors found, an additional random sample of 40 Income Support cases was selected for testing from the subpopulation of Income Support cases (£10,831,222). This additional testing identified a further 3 cases (total value £2,893) where proof of Income Support could not be established. Should the Department decide that the failure to establish proof involves overpaid subsidy, the effect of these errors is to overstate cells 099, 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement/ brief note of error	Original cell total - sub population: [see note 20]	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment:	Revised cell total if cell adjustment applied:
		[SP]	[SE]	[SV]	[SE/SV]	[SE/SV times CT] [see note 15]	[RA] [see note 15]
Initial sample - 20 cases	No proof of income support	£10,831,222	(£1,250)	£11,182 [see note 21]			
Drill down sample - 40 cases	No proof of income support	£10,831,222	(£2,893)	£52,200			
Combined sample 60 cases	No proof of income support	£10,831,222	(£4,143)	£63,382	(6.5%)	(£704,029)	
Adjustment:	Combined sample. Cell 099 overstated	£10,831,222	(£2,413)	£63,382	(3.8%)	(£411,586)	
Adjustment:	Combined sample. Cell 103 overstated	£10,831,222	(£1,098)	£63,382	(1.7%)	(£184,131)	
Adjustment:	Combined sample. Cell 114 overstated	£10,831,222	(£632)	£63,382	(1%)	(£108,312)	
Total corresponding adjustment	Total understatement of cell 113					(£704,029) [see note 16]	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £89 to £620 and the benefit periods range from 8 weeks to 52 weeks. Similar findings have been included in my qualification letters for the last two years [see note 11].

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

### Failure to apply the RBV policy (see note 23)

Testing of the initial sample identified;

- 2 cases (total value £1,524) where the local authority failed to apply its RBV policy. The effect of these errors is to overstate cells 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094; and
- 2 cases (total value £980) where the local authority did not verify eligible rent in accordance with the RBV policy because the checks performed do not meet the requirements of the policy. Should the Department decide that the failure to verify rent in accordance with the RBV policy means that subsidy has been overpaid, the effect of these errors is to overstate cells 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094.

Testing of an additional sample of 40 cases identified a further 3 cases (total value £1,254) where the local authority could not provide evidence that eligible rent was verified in accordance with the RBV policy (supporting documentation was not retained). Should the Department decide that the failure to retain evidence of verification means that subsidy has been overpaid, the effect of these errors is to overstate cells 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement/ brief note of error	Original cell total - sub population: [see note 22]	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA] [see note 23]
Initial sample - 20 cases	Failure to apply the RBV policy and failure to verify eligible rent to the required standard	£899,540	(£2,504)	£11,182			

Sample:	Movement/ brief note of error	Original cell total - sub population: [see note 22]	Sample error:	Sample value:	Percentage error rate [see note 9]	Cell adjustment:	Revised cell total if cell adjustment applied:
Additional sample - 40 cases	Failure to provide evidence that eligible rent was verified in accordance with the RBV policy	£899,540	(£1,254)	£27,204			
Combined sample 60 cases	Failure to apply the RNV policy	£899,540	(£3,758)	£38,386	(9.8%)	(£88,155) [see note 24]	
Adjustment:	Combined sample. Cell 103 overstated.	£899,540	(£3,601)	£38,386	(9.4%)	(£84,557)	
Adjustment:	Combined sample. Cell 114 overstated.	£899,540	(£157)	£38,386	(0.4%)	(£3,598)	
Total corresponding adjustment	Total understatement of cell 113.					(£88,155) [see note 25]	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £113 to £1,097 and the benefit periods range from 2 weeks to 52 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 amendments to the claim form that will allow me to conclude that it is fairly stated.

### Observations (see note 26)

#### Cell 055: Rent Rebates – Total expenditure (Benefit Granted)

Cell Total £1,034,012

Cell Population 34,003

Headline Cell £1,034,012

Underpaid benefit (see note 6)

#### Underpaid benefit

Testing of the initial sample identified 3 cases where benefit had been underpaid as a result of the authority entering a lower amount when uprating a system parameter.

As there is no eligibility to subsidy for benefit which has not been paid, the 3 underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. Because this error will always result in an underpayment of benefit, additional testing has not been undertaken.

Similar findings have been included in my qualification letters for the last two years (see note 11).

### **Cells 055 and 061 & Cells 094 and 102: Rent Rebates & Rent Allowances**

**Cell Total £2,029,034**

**Cell Population 43,659**

**Headline Cell £2,029,034**

#### **Misclassification between cells (see note 27)**

Testing of the initial sample identified 1 case where the benefit type for a particular housing association provider had been miscoded by the authority; as a result expenditure that should have been shown in the rent allowance cells 094 and 102 appears in the rent rebate cells 055 and 061. As the eligible rents and benefit entitlement have been correctly calculated as rent allowance cases, and the detail cells involved attract the same subsidy values, no additional 40+ testing has been undertaken.

The authority has confirmed the nil subsidy impact, and has therefore not amended their claim form.

### **Cell 055: Rent Rebates – Total expenditure (Benefit Granted)**

**Cell Total £71,143**

**Cell Population 1,283**

**Headline Cell £234,890**

Testing of the initial sample identified 2 cases where benefit had been underpaid as a result of the authority miscalculating the claimant's weekly rent liability (see note 6).

As there is no eligibility to subsidy for benefit which has not been paid, the 2 underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. However, because errors miscalculating the weekly rent liability could result in overpayments an additional random sample of 40 cases was tested. No further underpayments and no overpayments were identified (see note 27).

No similar findings have been included in my previous covering letters (see note 11).

Other matters [see note 28]

(Add any other matters that you wish to bring to the attention of the DWP here).

## Notes on completion

Note 1: It is important to say what effects on the claim would, or could, be and why it cannot be quantified.

Note 2: Auditors are not required for certification purposes to review any reconciliation between benefit paid per the benefits system and the general ledger or accounting system.

Note 3: The table should be reported in full, i.e. with £0 for nil entries.

Note 4: The adjustments are to show the difference between benefit granted by the software supplier's reconciliation to that granted by the authority.

Note 5: Cells 037 and 130 should agree with cells 011 and 094 respectively. Any differences remaining or identified at auditor final claim stage should be referred to in the covering letter. A qualification is not required when the subsidy claim form's "in-year reconciliation" cells do not reconcile due solely to roundings between the housing benefit system outturn reports and the entries made on the subsidy claim form. All other instances require qualification.

Note 6: Error type 1 – 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 covering letter. The underpaid amount should be excluded from the sample error but the value of the case tested (excluding the underpayment) should be included in the sample value. If overpayments were identified as a result of additional testing the reporting table showing the extrapolated result would be required. If the additional testing does not confirm that the population is overpayment free, these should be reported in the qualification section of the covering letter. Where an underpaid benefit error would always result in underpayments, these errors should be included in the observation section of the covering letter.

Note 7: If the additional testing does not confirm that the population is overpayment free, these should be reported in the covering letter.

Note 8: Because the additional testing has identified overpayments, the error type changes from error type 1 to error type 3. Error type 3 does not amend the headline cell. The final column of the extrapolation table is therefore blank.

Note 9: Auditors should normally work to one decimal place here, but the number of decimal places should be extended if this results in a nil error rate or significantly adjusts the cell adjustment.

Note 10: Error type 3 – benefit overpaid or insufficient supporting information. Where benefit has been overpaid or supporting information for part of the claim is missing or insufficient, the headline cell is not adjusted but the cell adjustment or extrapolation in a covering letter must remove the expenditure from the detail cell(s) in which the expenditure is reported and increase the appropriate overpayment cell(s) by a corresponding amount. For example, LA error overpayments will need to be increased where these errors are caused by an act or an omission by the local authority.

Note 11: Auditors should inform the DWP if similar errors have been identified in previous years.

Note 12: Error type 2 – missing claim forms. Where the claim form (paper, document image or electronic format) to support the current claim is missing, and the local authority is unable to produce other evidence that a claim form was received (e.g. letters or other records of communication from the claimant about changes in circumstances; copies of information supporting the levels of income, capital or rent; responses from the claimant to enquiries from the local authority; copies of records of reviews of the claim; or information from the DWP where the benefit is passported), the case must be excluded in its entirety from the subsidy claim form. The cell adjustment or extrapolation in a covering letter must remove all expenditure on the case from the subsidy claim form i.e. from the headline cell and detail cell(s).

Note 13: Error type 2 amends the headline cell.

Note 14: Auditors should consider the error type and the impact this has on other cells of the claim form. In the case of missing files where the local authority is unable to produce evidence of receipt (error type 2) the extrapolation must remove expenditure from both the headline and detail cell(s).

Note 15: Error type 3 does not amend headline cell. The final column of the extrapolation table is, therefore, blank.

Note 16: Auditors should consider the error type and the impact this has on other cells of the claim form. In this case, overpaid benefit is a result of missing or insufficient information (error type 3): the extrapolation must remove expenditure from the detail cell(s) and increase the appropriate overpayment cell(s).

Note 17: Error type 4 – expenditure misclassification. Where benefit expenditure has been misclassified the headline cell is not adjusted but the cell adjustment or extrapolation in a qualification letter must remove the expenditure from the detail cell(s) in which the expenditure has been incorrectly reported and increase the cell(s) in which it should have been reported by a corresponding amount. Errors which by their nature do not

affect the amount of subsidy claimed (for example, the misclassification of housing benefit cases between cells of the same subsidy value, with the same method of entitlement calculation, which produce the same amount of qualifying expenditure) do not require additional 40+ testing. The initial sample results only need to be reported under the observations heading in a covering letter. All overpayments are excluded from this 40+ exemption, because of the complicating factors of local authority error and administrative delay subsidy, and the subsidy entitlement conditions which apply to prior year overpayments.

Note 18: The impact on the cell to be shown here.

Note 19: Auditors should consider the error type and the impact this has on other cells of the claim form. In the case of expenditure misclassification (error type 4) the extrapolation in a covering letter must remove the expenditure from the detail cell(s) in which the expenditure has been incorrectly reported and increase the cell(s) in which it should have been reported by a corresponding amount. Errors which by their nature do not affect the amount of subsidy claimed (for example, the misclassification of housing benefit cases between cells of the same subsidy value, with the same method of entitlement calculation, which produce the same amount of qualifying expenditure) do not require additional 40+ testing. The initial sample results only need to be reported under the observations heading in the covering letter. All overpayments are excluded from this 40+ exemption, because of the complicating factors of local authority error and administrative delay subsidy, and the subsidy entitlement conditions which apply to prior year overpayments..

Note 20: Where a sub-population has been established, the extrapolation table should use the total value of the sub-population within the cell as the cell total, rather than the cell total shown on the claim form.

Note 21: Sample value of the sub-population.

Note 22: The sub population in this case will be those claims or elements of a claim where applicable, subject to RBV.

Note 23: Error type 6 - failure to apply the risk-based verification policy. The headline cell is not adjusted but the cell adjustment or extrapolation in a covering letter must remove the expenditure from the detail cell(s) in which the expenditure is reported and increase LA error overpayments by a corresponding amount.

Note 24: Error type 6 does not amend headline cell. The final column of the extrapolation table is, therefore, blank.

Note 25: Auditors should consider the error type and the impact this has on other cells of the claim form. In this case, overpaid benefit is a result of the LA failing to apply its RBV policy (error type 6): the extrapolation must remove expenditure from the detail cell(s) and increase the appropriate overpayment cell(s).

Note 26: All observations identified under the HB COUNT approach should be reported below this heading.

Note 27: Errors which by their nature do not affect the amount of subsidy claimed (for example, the misclassification cases between cells of the same subsidy value, with the same method of entitlement calculation, which produce the same amount of qualifying expenditure) do not require 40+ testing. The initial sample results only need to be reported under the observations heading in the qualification letter.

Note, all overpayments are excluded from the above 40+ exemption because of the complicating factors of local authority error subsidy and the subsidy entitlement conditions which apply to prior overpayments.

Note 28: These are matters that need to be brought to the DWP's attention. These should not be general statements. You need to explain the implication for the claim and any impact on the headline and detail cells.