

Technical Guidance Note

TGN/HBS/22

**Auditor Certification of 2021/22 Housing Benefit
Subsidy Claims**



 **AUDIT SCOTLAND**

Prepared for appointed auditors in the local government sector

12 July 2022

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Claim overview

Description of scheme		
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.		
Claim reference	Deadline to auditors	Auditor submission deadline
MPF720B	30 April 2022	31 January 2023
Risk areas		
<ol style="list-style-type: none"> 1. Benefit granted in the claim form does not agree to final subsidy reports. 2. Benefit granted in the subsidy system does not reconcile to subsidy paid in the subsidy system. 3. The benefits system is using incorrect benefit parameters to calculate benefit. 4. The in-year reconciliation cells do not agree with the corresponding total expenditure cell. 5. Uncashed cheques do not result in the necessary adjustments to subsidy. 6. The criteria for the disproportionate rent increase exemption are not met. 7. Administration subsidy is not properly stated. 8. Interim benefit subsidy is not properly stated. 		
Address for certified claim		
Lawelfare.lapaymentsandsubsidy@dwp.gov.uk		
TGN publication date and relevant year	Professional Support contact point and email address for enquiries	
12 July 2022 for 2021/22 claims	Anne Cairns TechnicalQueries@audit-scotland.gov.uk	

Introduction

Purpose

1. The purpose of this Technical Guidance Note (TGN) from Audit Scotland's Professional Support is to provide external auditors appointed by the Accounts Commission with guidance on the certification of 2021/22 housing benefit (HB) subsidy claims.
2. Appointed auditors are required by the [Code of Audit Practice](#) to examine, as part of their audit appointment, approved grant claims and other financial returns submitted to grant-paying bodies by local government bodies and 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.
3. The approach set out in this TGN is based on the Housing Benefits Assurance Procedures (HBAP) produced by the Department for Work and Pensions (DWP) and used by auditors throughout the UK. However, as explained further in the Auditor Certification Overview section, there are some significant differences in 2021/22 between HBAP and the approach adopted in Scotland.
4. This TGN:
 - provides guidance for auditors on the examination of the HB subsidy claim, including highlighting the main risk areas
 - sets out and explains an overview of the certification approach, the preliminary procedures (at section 1), testing procedures (at section 2), procedures for evaluating results and agreeing amendments (section 3) completion procedures (at section 4) and post-certification procedures (at section 5) that auditors should carry out (all summarised in the checklist at Appendix 1)
 - provides examples of reporting errors and observations in a letter to the DWP (covering letter) at Appendix 3
 - provides examples of reporting the results of any post-certification procedures at Appendix 4
 - sets out the impact of COVID-19 on benefit administration during 2021/22 and the related implications for audit testing at Appendix 5.
5. Auditors are required to express their conclusion in a certificate attached to each claim. The assurance process performed by auditors is therefore described in the Code of Audit Practice as the certification of each claim.

6. Although this TGN provides a concise summary of the scheme, it may still be necessary for auditors to refer to the source material listed at Appendix 2 on which this guidance is based.

Nature of scheme

7. 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. Claimants obtain these benefits by application to the local authority.

8. 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).

Changes in scheme for 2021/22

9. Key changes affecting the scheme in 2021/22 are summarised in the following paragraphs.

10. Throughout 2020/21 and 2021/22 the DWP introduced temporary changes to HB administration to assist local authorities and claimants during the COVID-19 pandemic. The DWP also clarified how various government COVID-19 funding initiatives to help protect jobs and incomes should be treated for HB purposes. Guidance on the treatment of these changes and funding schemes for the purpose of certification of the 2021/22 subsidy claims is contained in Appendix 5 which auditors should refer to when carrying out testing.

11. Details of other changes to benefit administration introduced during 2021/22 can be found in the circulars listed at Appendix 2. In summary, key changes include:

- changes to the shared accommodation rate exemptions for care leavers and former residents of homeless hostels
- the introduction of a sanctuary scheme exception from the removal of the spare room subsidy (RSRS)
- as a result of the collapse of the Afghan Government: an exemption for certain people coming to Great Britain from Afghanistan from satisfying the habitual residence test; and permission to continue to pay HB to claimants who travelled to Afghanistan with the expectation of returning within four weeks but were unable to
- European Economic Area (EEA) and Swiss citizens' resident in the UK who made an application for EU Settlement Scheme (EUSS) prior to 30 June 2021 retain access to HB until a decision is made on their application
- disregarding certain compensation payments in respect of historical institutional child abuse or under the Home Office's Windrush Compensation Scheme
- the Scottish Government's Child Disability Payment (CDP) should be treated in the same way as Disability Living Allowance for children; the benefit cap does not apply where CDP has been claimed

- the Scottish Government's Adult Disability Payment should be treated in the same way as Personal Independence Payment for HB purposes
- as a result of the crisis in Ukraine: people fleeing Ukraine to the UK can claim HB immediately and are exempt from the habitual residence test for HB; UK sponsors/hosts providing accommodation under the Homes for Ukraine Scheme must declare the monthly 'thank you' payment but it is disregarded as both unearned income and capital for HB purposes. There is no change to the number of bedrooms which the HB claimant host is entitled to under the RSRS or the local housing allowance. The HB claimant host will retain their disability premium, if applicable, and they will not attract a non-dependant deduction in their HB claim due to Ukrainian nationals living with them.

Funding arrangements

12. 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%.

13. 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

14. The contact point in Professional Support for this TGN is Anne Cairns, Manager (Professional Support). Enquiries should be sent to TechnicalQueries@audit-scotland.gov.uk .

Auditor certification overview

This section provides an overview of the auditor certification arrangements, including an explanation of and changes to, the certification approach for 2021/22.

Changes in 2021/22

15. Professional Support has negotiated with the DWP changes to certification testing at Scottish local authorities for 2021/22. The changes are intended to rationalise the level of auditor testing required by HBAP, and are summarised as follows:

- For local authorities, where auditors have assessed the risks of inaccuracy as low, and with an HB caseload of under 5,000 cases, a smaller initial sample of 10 rent allowances and 10 rent rebates should be selected. A sample size of 20 remains for authorities above that caseload.
- There is no longer a requirement to test a separate sample of 20 modified scheme claims (although any modified scheme claims selected within the initial sample should be tested).

16. Professional Support and the DWP will discuss for 2022/23 the other reductions in testing proposed by Professional Support that were included in the consultation draft of this TGN. For the avoidance of doubt, Cumulative Assurance Knowledge and Experience (CAKE) and 40+ testing continue to be required for 2021/22 and there is no de minimis for errors.

17. Other changes required by the DWP for 2021/22 include the following:

- Testing procedure 4B has been revised in respect of new guidance from the DWP on the ongoing impact of COVID 19 during 2021/22.
- When considering the level of CAKE testing applicable for small populations, auditors can agree with the local authority to restrict testing to a minimum sample of 40 claims, disregarding the small population guidance which would be to test the whole population.
- The DWP will now accept amended cells that have not been initialled by the local authority provided auditors include details of the amendment in their covering letter.
- Where the whole population or sub-population has been tested by the local authority, auditors are required to carry out re-performance testing.

Modular guidance

18. HBAP is set out in a number of modules, and those of relevance to the certification approach for 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 Audit Scotland's Technical Reference Library)
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 2022 onwards (for each software supplier)

19. The other HBAP modules do not apply in Scotland and are replaced by the guidance on the required approach to testing provided at sections 2 and 3 of this TGN, and on reporting and post-certification testing at sections 4 and 5.

Testing methodology

20. A key element of the certification approach involves auditors selecting a sample of benefit cases and undertaking detailed testing using the Module 3 workbooks. The focus of the testing is for auditors to evaluate whether benefit has been awarded in accordance with regulations, and whether subsidy has been properly claimed. The approach 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 and report the amendments in their covering letter.
- Where testing identifies errors but an amendment cannot be agreed, the unadjusted errors should be reported in the covering letter.

21. Auditors should note that compliance with the testing arrangements set out in this TGN is a condition of the DWP. Auditors should also have regard to the guidance in the DWP's supporting help file.

Access to information

22. The DWP has arrangements in place to ensure that each local authority makes available information to external auditors that it has obtained from the DWP's Customer Information System (CIS). The DWP does not require external auditors to use the CIS directly.

23. The DWP requires all auditors conducting HB testing to have gone through Disclosure Scotland checks. Auditors should complete these checks and store the results centrally; they are not required to provide a copy of their Disclosure Scotland certificate to local authorities.

Data protection

24. The nature of HB testing means that auditors are collecting, recording and transferring personal data relating to individuals' claims. This data falls under the scope of the Data Protection Act 2018 reflecting the UK 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.

25. Auditors should apply the following specific requirements to ensure secure handling and storage of personal data:

- 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.
- Workbooks should be stored securely and destroyed when no longer needed under the normal audit data retention processes. Auditors should ensure that any transfer of workbooks is secure.

Submission of claim to auditor

26. 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.

27. Local authorities are required to submit a copy of the claim form, including a completed local authority certificate, to external auditors.

28. The submission deadline for 2021/22 to both the DWP and auditors was 30 April 2022.

1. Preliminary procedures

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

Preliminary procedures

Preliminary procedure 1 - Completion of form

Auditors should evaluate whether:

- all relevant parts of the claim form have been properly completed
- the authority certificate bears the signature of the Chief Financial Officer
- all arithmetic on the claim form is correct.

29. The 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.

30. The DWP have confirmed that electronic signatures are acceptable for 2021/22 claim forms. Where it is not possible for the Chief Financial Officer to sign the claim, the DWP has clarified that it is acceptable for unsigned forms to be emailed to the DWP provided the email originates from the Chief Financial Officer.

31. The claim form is divided into sections as set out 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

Headline cell	Content	Covered by auditor's certificate
179S	Subsidy additions and deductions (uncashed payments)	Yes
180a to 190S	Disproportionate rent increase	Yes
201 to 210S	Local authority error subsidy cells (pre-populated)	No
212 to 216S, and 225	Modified schemes	No (Changed for 2021/22 – although any modified scheme claims should be tested if included within the initial testing sample)

32. The pdf version of the claim form completes all necessary calculations (and therefore can be relied on regarding the arithmetic accuracy of the claim form) 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 evaluate whether the claim form includes an entry in every cell.

33. Cells with a "S" suffix should contain an entry. These cells should be included when establishing that the form agrees to subsidy system reports (at testing procedures 1 and 2).

34. 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.

35. The DWP will perform checks upon receipt of the final claim 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.

2. Testing procedures

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

Testing procedures

Test 1 - Benefit granted

Auditors should evaluate whether for rent rebates and rent allowances benefit granted in the claim form (total expenditure in the headline cells) agrees to final subsidy reports in accordance with HBAP module 5.

36. 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 2021/22. 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
- the two weeks transition to universal credit housing payment for claimants migrating to universal credit.

37. 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
- amounts in respect of uncashed or returned instruments of payment that are not reissued or replaced (see test 6). 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 7)
- 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.

38. 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.

39. Subsidy should not be claimed in 2021/22 for HB which is due for a period falling wholly within the financial year 2022/23, but which is issued in 2021/22 to ensure timely receipt; subsidy for those payments should be claimed in 2022/23. 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.

40. 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 that do not attract subsidy.

41. Auditors should evaluate whether, for each HB type, 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 report any differences in their covering letter (rounding differences do not require to be reported).

Test 2 - Reconciliation to benefit paid

Auditors should evaluate whether for rent rebates and rent allowances 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 the DWP's Module 5.

42. 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. Auditors should report any errors to the DWP in their covering letter.

43. Auditors are not required to review any reconciliation between benefits paid per the benefits system and the general ledger or accounting systems.

Test 3 - Uprating of benefit systems

Auditors should evaluate whether the local authority's system is using the correct benefit parameters to calculate benefit and to claim subsidy.

44. The appendix contained within DWP's Module 2 should be used to evaluate whether the local authority has updated the benefit parameters and allowances in accordance with the DWP's annual uprating of benefits. This will ensure that the correct parameters have been applied to benefit calculations and subsidy claimed. Failure to apply annual uprating correctly will result in incorrectly awarded benefit payments.

Test 4A - Initial testing

Auditors should select an initial sample of 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 DWP's module 3 workbooks and in Appendix 5.

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

46. For 2021/22, the required sample size is determined by the size of the local authority as follows:

- For larger authorities, with a HB caseload of more than 5,000 claims, the sample size should be 20 from each headline cell (i.e. a total sample of 40).
- For authorities with a caseload of 5,000 claims or fewer, the sample size may be reduced to a minimum of 10 cases from each headline cell (i.e. a minimum total sample of 20). The sample size will be based on the auditor's judgement of the risk of inaccurate HB claims in the local authority. When considering risk, the auditor may consider:
 - errors in previous years' subsidy claims,
 - results of the authority's own accuracy checking, or
 - concerns raised by the DWP's performance development team or through Audit Scotland's HB performance audit work.

47. The local authorities with HB caseloads under 5,000 claims are as follows:

Local authorities with under 5,000 HB cases

Angus Council	Argyll & Bute Council	Clackmannanshire Council	East Dunbartonshire Council
East Lothian Council	East Renfrewshire Council	Inverclyde Council	Midlothian Council

Local authorities with under 5,000 HB cases			
Moray	Comhairle Nan Eilean Siar	Orkney Islands Council	Scottish Borders Council
Shetland Islands Council	Stirling Council	Perth & Kinross	

48. 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 (for larger authorities) or 5 (for smaller authorities).

49. 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.

50. If the local authority changes HB software or supplier which results in a change in reference number for the sample case within 2021/22, auditors should test all sample case transactions from both the legacy system and the new system so that all benefit transactions in the year made to the claimant are tested.

51. The work required on the initial sample 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 DWP's Module 3 workbooks, which record whether each case passes or fails each test. Where local authority staff carry out the testing, an element of re-performance by auditors is required. Guidance on evaluating the results of the initial tests, including any re-performance, is provided at section 3 of this TGN.

52. If auditors commence testing early using an audit trail other than the final claim form, they must agree the details tested to the final claim form audit trail before the claim is certified. Auditors should examine any differences, and assess the impact before the claim is certified.

53. Risk-based verification (RBV) applies on a voluntary basis. 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.

54. 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.

55. For certification purposes, the application of a local authority's RBV policy to individual HB claims should be considered in the sample testing of cases under HBAP for 2021/22. Where RBV is not applied to a new claim or change of circumstance the normal evidence to support claims for benefit is required.

Test 4B - Initial testing-COVID-19 related requirements

Auditors should evaluate whether:

- relevant cases have been recorded and appropriately assessed as Trust and Protect cases
- payment on account has been considered where appropriate
- the treatment of COVID-19 related income for HB purposes is correct.

56. During 2021/22, the DWP issued guidance on certain types of HB cases and administration requirements for new claims and changes of circumstance. Auditors are required to evaluate whether local authorities have followed this additional guidance. In summary, the guidance covers the following:

- Evidence requirements under the DWP Trust and Protect scheme. Under the scheme, where it is not possible to verify a claimant's prime documents due to COVID-19 restrictions, local authorities can defer verification. Auditors should evaluate whether a case has been recorded as a Trust and Protect case by the authority. Where that has not happened, normal standards of verification should be applied to the case.
- For rent allowance cases, the application of payment on account, where relevant, to Trust and Protect cases. Where overpayments have been classified as payment on account, auditors should determine if the split between recovered and unrecovered overpayments is supported and correct.
- Various government assistance programmes for businesses and individuals were in operation during the pandemic and impact on HB claims. Auditors should evaluate whether the treatment of the income for HB purposes is correct.

57. Auditors should refer to Appendix 5 for more detail on the DWP guidance.

Test 5 - In-year reconciliation cells

Auditors should evaluate whether the in-year reconciliation cells for rent rebates and rent allowance agree with the corresponding total expenditure cell.

58. 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.

59. 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 rounding between the

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

Test 6 - Uncashed cheques

Auditors should evaluate whether uncashed cheques and other expired instruments of payment result in the necessary adjustments to subsidy.

60. 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.

61. Auditors should examine prime documents and evaluate 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 7A - Disproportionate rent increase deduction - exemption

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

62. 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 2021 and 31 March 2022 by a higher percentage than the percentage increase in the average rent of tenants who are not receiving rebates.

63. 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 2021/22 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 2021/22 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 2021/22 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"> • it had no DRI deduction for 2020/21; and • there is clear evidence that rent increases during 2021/22 were the same percentage and applied on the same day for all tenants. 	181b

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

Test 7B - Disproportionate rent increase deduction - no exemption

Where the authority does not have exemption from the DRI deduction, auditors should evaluate whether:

- 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 2020/21 subsidy claim form
- cells 182 to 190s have been properly completed.

65. 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 2021/22.

66. The percentage figure for the disproportionate increase in rent rebates in 2020/21 should be entered in cell 182. The disproportionate increase factor for 2020/21 calculated by dividing the figure shown in cell 182 by 100 and shown to four decimal places, should be entered in cell 183.

67. 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 2022?	Average rent at 31 March 2021	Average rent at 31 March 2022
Yes	Cell 184(a)	Cell 184(b)
No	Cell 185(a)	Cell 185(b)

68. It is not relevant whether the HB 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 2022 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.

69. 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 their covering letter, and set out the rent-setting policy adopted, e.g. 'The local authority has increased its rents since March 2021 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 8 - Administration subsidy

Auditors should evaluate whether administration subsidy in cell 005 agrees to:

- the DWP's 17 March 2022 letter
- the authority's financial statements.

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 17 March 2022 letter. The amount should also agree to the authority's financial statements.

Test 9 - Interim benefit subsidy

Auditors should evaluate whether interim benefit subsidy in cell 008 agrees to:

- the DWP's 17 March 2022 letter
 - the authority's financial statements.
-

70. 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 17 March 2022 letter and to the authority's financial statements.

71. The entry in cell 008 should not include amounts received after the initial final claim is certified by the Chief Financial Officer, as the DWP's systems take automatic account of any later payments.

3. Evaluating results of testing and agreeing amendments

This section provides guidance on evaluating the results of tests 4 (a) and 4(b) set out at section 2.

Evaluation procedures

Evaluation procedure 1 – Evaluation of testing results

Auditors should evaluate the results of the initial testing and:

- consider whether results match their expectations
- carry out CAKE testing where appropriate
- critically evaluate the nature of each error
- reperform some testing carried out by local authority staff
- conduct additional testing where errors affect the amount of subsidy or relate to overpayments.

Auditor expectations

72. Where initial testing produces results that do not match auditor expectations, additional work will be necessary to confirm the position. Auditors should test an additional sample of 40 cases from the cells previously containing the error. The additional work required should take into account what the authority says it has done to address previous amendment, observation and qualification issues.

CAKE testing

73. CAKE testing may be required to follow up on outcomes in 2020/21. CAKE testing may arise from an observation or qualification in the 2020/21 covering letter, or an amendment to that year's subsidy claim. The purpose of CAKE testing is to establish whether these issues remain unresolved. As a change in 2021/22, when considering the level of CAKE testing applicable for small populations, (a population under 100 but over 40 claims), auditors can agree with the local authority to restrict testing to a minimum sample of 40 claims, disregarding the small population guidance which would be to test the whole population. However, if the local authority wishes to test the full population, this is acceptable and auditors should reflect that in their covering letter.

74. For example, where misclassification of overpayments has been identified in previous work, but no cases are identified in the initial sample for 2021/22, auditors should examine an additional sample of cases from the overpayment cells to evaluate whether the misclassification of overpayments has been addressed by the authority and does not affect the claim for all or part of

2021/22. Reporting the results depends on whether errors have been identified as follows:

- Where the additional CAKE testing identifies errors, auditors should use the results to complete an extrapolation for inclusion in the covering letter.
- Where the additional CAKE testing does not identify any errors and no errors were identified in the initial sample, auditors should report the results in the covering letter as an observation. In these circumstances, the issue need not be considered under the CAKE arrangements in the 2022/23 subsidy period.

Evaluation of reasons

75. Where initial testing identifies errors, auditors should critically evaluate the reasons. Errors should not be simply corrected in the 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)	Auditors should move to evaluation procedure 2.
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"> • clearly record how they reached the conclusion that an error is isolated in their covering letter to the DWP • agree a simple amendment to the claim with the authority.
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>

Nature of error	Auditor response
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

76. 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.

77. Where possible, the authority should undertake any additional testing. The additional testing will focus on the particular characteristics of the error only. These characteristics may relate to an expenditure type, e.g. earnings or to a specific detailed cell.

78. Where the nature of the error could appear in any benefit claim within the headline cell for that expenditure type, e.g. incorrect earnings calculations, the additional sample of cases should be selected from the headline cell. The extrapolation would be calculated on the value in the headline cell.

79. Where the error relates to a detail cell, e.g. the misclassification of overpayments, then the additional sample should be selected from the detail cell and the extrapolation calculated on the value of the detail cell.

80. Auditors should specify the work to be done and review the work carried out, including an element of re-performance (see below). 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.

81. Errors that would always result in an underpaid benefit, or 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) do not require additional testing. All overpayments are excluded from this exemption. Auditors should however refer to the initial sample results as an observation in their covering letter.

82. Where testing identifies errors unrelated to the original error being tested, auditors are not required to undertake any further additional testing in respect of this new error. Auditors should report this as an observation in the covering letter.

Sub-populations

83. 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. An additional sample of at least 40 cases is required which drills down into that sub-population only. A biased sample from the total population will need to be taken.

An example of a biased sample would be where errors have been made by an assessor or where a problem only occurs for a particular case type. The additional sample would be selected from the work of that individual or the case type i.e. the sub-population.

84. 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.

85. 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

86. 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 required by the DWP is to select and test an additional random sample. A sample of 40 cases should be selected from each cell where the initial testing identified errors. The sample will be a random selection of 40 cases. Where the nature of the error could appear in any benefit claim within the headline cell for that expenditure type e.g. incorrect earnings calculations, then the additional sample of cases should be selected from the headline cell. The extrapolation would be calculated on the value in the headline cell. Where the error relates to a detail cell e.g. the misclassification of overpayments, the additional sample should be selected from the detail cell and the extrapolation calculated on the value of the detail cell. 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.

87. After the testing is complete:

- where the results of initial and additional testing allow, auditors should 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, auditors should set out the results of both the initial sample and the additional testing in the covering letter, including any effect on other cells on the form
- 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 as an observation in the covering letter (see Appendix 3). 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.

Re-performance of local authority testing

88. Where the local authority carries out initial, 40+ testing or testing of sub-populations, auditors are required to re-perform an element of it. The amount of re-performance varies depending on the type of testing: For initial testing, testing of sub populations and 40+ testing auditors should re-perform:

- all failed cases; plus
- a random 10% sample of cases that passed.

89. For small populations auditors should re-perform a random 10% of the population.

90. Where the results of the re-performance testing do not identify any errors in the local authority's testing, auditors can rely on the results. However, if the re-performance testing identifies errors in the local authority's testing, auditors should:

- highlight the incorrect conclusion reached by the local authority
- request that the authority reviews all cases again
- select a further sample for re-performance testing including some with the characteristics of the incorrect conclusion.

91. If this second attempt of testing by the local authority is tested without error, auditors can rely on the results. If there are further errors, auditors are required to re-perform the full sample of cases.

Evaluation procedure 2 – Agreeing amendments

Auditors should:

- **consider the error's impact on subsidy**
- **extrapolate the results of the testing**
- **consider corresponding amendments in other cells**
- **agree an amendment to the claim form with the local authority and evaluate whether it has been correctly made.**

Agreeing amendments

92. Auditors should agree with the local authority amendments to the claim form. Agreed amendments should be made by the authority. These may be simple amendments or may require to be calculated by extrapolation.

93. Where the local authority carries out testing of the whole population/sub-population, in order to agree an amendment auditors should carry out re-performance testing. Where it does not fall under the criteria for dealing with small populations, auditors should re-perform a random sample of the greater of either 10 cases or 1% of the population or sub population.

94. Where the local authority wishes to test an additional sample, but without testing the entire population or sub-population, this will be subject to a separate agreement with the DWP. In these cases, the local authority is required to approach the DWP to agree the level of testing and re-performance testing required.

Error types

95. To calculate an error by extrapolation (either for a cell amendment or for an unadjusted error reported in the covering letter), auditors should first determine the error type, as the DWP requires a 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	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>Underpaid benefit must be excluded from the extrapolation calculation.</p> <p>The underpaid amount should be excluded from the sample error but the value of the case excluding the underpayment tested should be included in the sample value.</p> <p>Auditors should report that there are cases where benefit has been underpaid as an observation in 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.</p> <p>Other evidence to support a claim may include for example, 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 authority; copies of records of reviews of the claim; or information from DWP where the benefit is passported(see circular HB G8/2015).</p>	<p>The cell amendment or unadjusted error in the 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 evaluate whether 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
<p>3: Benefit overpaid or insufficient supporting information</p> <p>See Appendix 5 for COVID-19 related changes to supporting information requirements during 2021/22.</p>	<p>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).</p>	<p>Where a local RBV policy operates, auditors should evaluate whether 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.</p>
<p>4: Expenditure misclassification</p>	<p>Where benefit expenditure has been misclassified (e.g. misclassifying local authority error overpayments as eligible overpayments), the headline cell should not be adjusted,</p>	<p>The cell amendment or unadjusted error in the 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.</p> <p>Errors which by their nature do not affect the amount of subsidy claimed do not require additional 40+ testing (unless overpayments).</p>
<p>5: Impact cannot be determined</p>	<p>This may be because 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.</p>	<p>Auditors should report in their covering letter:</p> <ul style="list-style-type: none"> the error(s) against the cell(s) in which they were identified the reason why the corresponding entries could not be established.
<p>6: Failure to apply the RBV policy</p>	<p>This may be the case where the authority:</p> <ul style="list-style-type: none"> has failed to apply the check specified in the RBV policy performed a check that does not meet the requirements of 	<p>The cell amendment or unadjusted error in the covering letter should:</p> <ul style="list-style-type: none"> remove the expenditure from the detail cell(s) in which the expenditure is reported; and

Error type	Impact on subsidy	Auditor response
	<p>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),</p> <ul style="list-style-type: none"> cannot evidence that the check was performed (i.e. there is no record or prime documents to demonstrate the RBV policy check was performed). 	<ul style="list-style-type: none"> increase the local authority error overpayment cell by a corresponding amount.

96. Appendix 3 contains examples of the above error types and how auditors should report them in their covering letter.

Calculating amendments

97. In order to calculate by extrapolation the amendment required to a cell total (or unadjusted error reported in a covering letter if an amendment cannot be agreed), 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 $CA = (CT \text{ or } SP) \times SE/SV$ 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

98. SE/SV is referred to in the covering letter at Appendix 3 as the percentage error rate.

99. 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

100. In cases where testing identifies an error in a cell, auditors should consider the effect on other cells, and either agree corresponding amendments or report the unadjusted error in their covering letter. If corresponding amendments

cannot be identified, auditors should provide an explanation in their covering letter.

101. Amendments and unadjusted errors reported 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 errors 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.

102. It should be noted that all 2021/22 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.

103. Where an error is discovered that if acted upon would create a prior year overpayment or amends an amount already reported as a prior year overpayment, the extrapolation calculation should only include the error based on the 2021/22 HB expenditure. It should not include expenditure which was included in previous subsidy claims.

Making and confirming amendments

104. Amendments should be agreed with the authority and the claim returned to the authority for amendment and re-signing. Where certification work results in agreed amendments to cell entries, authorities are required by the DWP 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
- where possible, 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). The DWP will accept non-initialled cells as a change in 2021/22 provided auditors include the detail of the amendments in the covering letter
- sign the amended form.

105. Auditors should evaluate whether all agreed amendments to input cells have been made and initialled by the authority (or are included as an observation), and that no other input cells have been amended. Auditors should detail all amendments made to the claims form in their covering letter.

Reporting unadjusted errors

106. Where a local authority declines to make an amendment to the claim form because the authority does not agree with the extrapolation, or the amendment cannot otherwise be agreed, auditors should report the unadjusted error in their covering letter.

107. Where the scale or nature of unadjusted errors is such that auditors conclude that the claim form is not fairly stated, or they cannot form a conclusion, it may be appropriate for auditors to report an adverse conclusion or disclaim their conclusion. Guidance on this is provided at section 4 of this TGN.

4. Completion procedures

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 procedures

Completion procedure 1 - Covering letter

Auditors should report unadjusted errors, observations, agreed amendments to the form, and information on Trust and Protect cases in a covering letter.

108. Any unadjusted errors, observations, agreed amendments or information on Trust and Protect cases should be set out in a covering letter, which should be completed in accordance with Appendix 3.

Unadjusted errors

109. Where the results of testing do not allow agreed amendments to be made, the unadjusted errors should be set out in the covering letter, including any effect on other cells on the claim form. The information required, and the structure for including it in the 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.

110. Appendix 3 provides examples of how the results of testing should be reported to the DWP in covering letters.

111. 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.

112. 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.

Observations

113. Errors found during testing that do not affect the subsidy claimed should be reported as observations in the covering letter.

Agreed amendments

114. All amendments to the claim form require to be reported in the covering letter to leave the DWP in no doubt as to any adjustments required to subsidy payments to the local authority.

Trust and Protect

115. The DWP require auditors to include a short summary of any findings in relation to the application of payment on account procedures to Trust and Protect cases in their covering letter.

116. Auditors should refer to Appendix 5 where further guidance on payment is provided.

Additional issues

117. Auditors should include any other issues that they wish to bring to the attention of the DWP in a section of the covering letter clearly separate from the above matters.

Completion procedure 2 – Auditor's certificate

Auditors should report in the certificate whether the claim is fairly stated and in accordance with the relevant terms and conditions.

118. Auditors should conclude as to whether or not the claim is fairly stated and in accordance with the relevant terms and conditions. This conclusion should be reported in the auditor's certificate. The auditor's certificate is incorporated in the claim form and gives auditors the option to report that:

- the claim is fairly stated except for the unadjusted errors reported in the covering letter (a qualified conclusion); or
- they are unable to conclude that the claim is fairly stated (an adverse or disclaimer of conclusion). This is expected to be rare but may be the where the scale or nature of unadjusted errors is such that auditors cannot come to a conclusion (disclaimer) or conclude that the claim is not fairly stated (adverse).

119. Auditors should judge which is the most appropriate reporting option and clearly score out the other option. Once the claim is signed, it should be scanned and emailed to the DWP.

Completion procedure 3- Submission of certified claim by auditor

Auditors should send a certified copy of the claim form and the covering letter to the DWP (and copy to Professional Support) by 31 January 2023 (or as soon as practicable).

120. Auditors should submit the claim form, including the signed auditor's certificate, and covering letter direct to the DWP by email to: Lawelfare.lapaymentsandsubsidy@dwp.gov.uk. (the email address in the claim form should not be used by auditors). Auditors should ensure that the subject of the email contains: [local authority name] HB certification.

121. Although the claim form indicates the submission deadline is 30 November 2022, the DWP has deferred the submission deadline to 31 January 2023. Where it is not possible to perform the required audit procedures to an appropriate high quality even by that deferred date, auditors should aim to make the submission as soon as practicable. The DWP has advised that they will not accept requests to extend the deadline from auditors. Auditors should therefore advise authorities of any anticipated delays so that the authority can, if it wishes, formally ask the DWP for an extension.

122. Auditors should submit a copy of the certified claim form and their covering letter to Professional Support by:

- emailing the files as an attachment to outputs@audit-scotland.gov.uk (firms)
- adding the files to the relevant local authority's 'outputs' library in SharePoint and emailing a link to outputs@audit-scotland.gov.uk (ASG).

5. Post-certification procedures

This section sets out the procedures that auditors should carry out if they receive a request from the DWP to carry out re-performance testing of additional testing carried out by the local authority after the certified claim and covering letter has been submitted to the DWP.

Post-certification procedures

Post-certification procedure 1 – Re-performance of additional work

Auditors should carry out re-performance testing of additional testing carried out by the local authority if requested by the DWP

123. The DWP may on an exception basis request that further work is carried out on certified subsidy claims. This may be due to the DWP:

- being unclear of the findings in the auditor's covering letter. That risk is mitigated if auditors follow the guidance in section 3 of this TGN
- agreeing to take the results of further work undertaken by the local authority into account when settling the final claim. This is normally in response to representations from the local authority. The further testing is carried out by the local authority, but auditors may be requested to carry out a level of re-performance testing and report on this to the DWP.

124. Requests for further work will often fall into (but are not limited to) one of the following categories:

- Further testing of an entire population or sub-population in order to reach an agreed amendment to the final subsidy claim.
- Further testing of an extended sample to arrive at a more representative extrapolation calculation.
- Evidence that an outlier is present in the extrapolation calculated from the testing carried out.

125. The DWP will advise on the volume and nature of the testing to be carried out by the local authority, and the re-performance testing the DWP would like the auditor to carry out.

126. The local authority must demonstrate to the auditor that the population being tested under further work can be reconciled to the equivalent population used for the and additional / 40+ or CAKE testing previously carried out on the subsidy claim. In applying the results of further work, where a sample population has been tested by the local authority, the cases previously tested

will be excluded to avoid double counting. Where the full population of a cell has been tested under the further work, the cases previously tested will have been re-tested and should be included.

127. Where further work requires a random sample to be taken from a larger population, the selection of the sample must be carried out by auditors.

128. The local authority will conduct the further work tests. The results of this work should be recorded in a format agreed between auditors and the local authority to enable auditors to undertake the specified re-performance testing.

129. The standard level of re-performance testing to be carried out by auditors depends on the population being sampled as set out in the following table:

Population	Re-performance sample	Example
500 cases or fewer	Auditors should re-perform a random sample of 10% of the testing carried out by the local authority.	400 cases tested by the local authority under further work would result in 40 cases being re-performed.
Greater than 500 cases	<p>A sub-population of 500 cases will be taken and auditors should re-perform a random sample of 10% of that population. The sub-population should be the first 500 cases taken from a case list sorted in order of case reference number (low to high).</p> <p>For all cases that fall outside that 500 case sub-population, auditors should re-perform a random sample of 1% of that population.</p>	600 cases tested by the local authority under further work would result in 51 (50 plus 1) cases being re-performed.

130. It should be noted that there may be instances where the DWP consider it necessary to vary this standard approach. If the DWP intend to make a variation, this will be communicated by the DWP to the local authority.

Post-certification procedure 2 - Submission of letter to DWP

Auditors email the results of their re-performance testing to the DWP (and copy to Professional Support) by any agreed date.

131. Auditors should submit the results of their re-performance testing to the DWP as a signed pdf document. The pdf document should contain the audit provider's corporate logo, and be sent from the auditor's business email address to lawelfare.lapaymentsandsubsidy@dwp.gov.uk. Appendix 4 provides an example of how the results should be reported to the DWP.

132. Auditors should submit a copy of the pdf document letter to Professional Support by:

- emailing the document as an attachment to outputs@audit-scotland.gov.uk (firms)
- adding the document to the relevant local authority's 'outputs' library in SharePoint and emailing a link to outputs@audit-scotland.gov.uk (ASG).

Appendix 1. Auditor action checklist

Preliminary procedures	Yes/No/N/A	Initials/ date	W/P ref
1. Have you evaluated whether: <ul style="list-style-type: none"> all relevant parts of the claim form have been properly completed? the authority certificate bears the signature of the Chief Financial Officer? arithmetic on the claim is correct? 			
2. Have you evaluated whether the claim form presented for certification includes an entry in every cell?			

Testing procedures	Yes/No/NA	Initials/ date	W/P ref
1. Have you evaluated whether for rent rebates and rent allowances benefit granted in the claim form (total expenditure in the headline cells) agrees to final subsidy reports in accordance with the DWP's module 5?			
2. Have you evaluated whether for rent rebates and rent allowances 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 the DWP's module 5?			
3. Have you evaluated whether the local authority's system is using the correct benefit parameters to calculate benefit and to claim subsidy?			
4A. Have you selected an initial sample of 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 DWP's module 3 workbooks and Appendix 5?			

Testing procedures	Yes/No/NA	Initials/ date	W/P ref
<p>4B. Have you evaluated whether:</p> <ul style="list-style-type: none"> • relevant cases have been recorded and appropriately assessed as Trust and Protect cases? • payment on account has been considered where appropriate? • the treatment of COVID-19 related income for HB purposes is correct? 			
<p>5. Have you evaluated whether the in-year reconciliation cells for rent rebates and rent allowances agree with the corresponding total expenditure cell?</p>			
<p>6. Have you evaluated whether uncashed cheques and other expired instruments of payment result in the necessary adjustments to subsidy?</p>			
<p>7A. Where the authority has claimed exemption from the DRI, have you evaluated whether the relevant exemption criteria has been met? Or</p> <p>7B. Where the authority does not have exemption from the DRI deduction, have you evaluated whether:</p> <ul style="list-style-type: none"> • 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 2020/21 subsidy claim form • cells 182 to 190s have been properly completed? 			
<p>8. Have you evaluated whether administration subsidy in cell 005 agrees to:</p> <ul style="list-style-type: none"> • the DWP's 17 March 2022 letter • the authority's financial statements? 			

Testing procedures	Yes/No/NA	Initials/ date	W/P ref
<p>9. Have you evaluated whether interim benefit subsidy in cell 008 agrees to:</p> <ul style="list-style-type: none"> the DWP's 17 March 2022 letter the authority's financial statements? 			

Evaluation procedures	Yes/No/NA	Initials/ date	W/P ref
<p>1. Have you evaluated the outcome of the initial testing and:</p> <ul style="list-style-type: none"> considered whether results match your expectations carried out CAKE testing where appropriate critically evaluated the reasons for errors reperformed some testing carried out by local authority staff conducted additional testing where errors affect the amount of subsidy or relate to overpayments? 			
<p>2. Have you:</p> <ul style="list-style-type: none"> considered the error's impact on subsidy extrapolated the results of the testing considered corresponding amendments in other cells agreed an amendment to the claim form with the local authority and evaluated whether it has been correctly made? 			

Completion procedures	Yes/No/NA	Initials/ date	W/P ref
<p>1. Have you reported in your covering letter:</p> <ul style="list-style-type: none"> unadjusted errors observations agreed amendments to the form information on Trust and Protect cases? 			

2. Have you reported in the certificate whether the claim is fairly stated and in accordance with the relevant terms and conditions?			
3. Have you sent a certified copy of the claim form and the covering letter to the DWP (and copy to Professional Support) by 31 January 2023 (or as soon as practicable)?			

Post-certification procedures	Yes/No/N/A	Initials/ date	W/P ref
1. Have you carried out re-performance testing of additional testing carried out by the local authority if requested by the DWP?			
2. Have you emailed the results of your re-performance testing to the DWP (and copy to Professional Support) by any agreed date?			

Appendix 2. Rules for completing claim

The following represent key sources of guidance in respect of the 2021/22 claim form and can be accessed by following the hyperlinks or downloaded from Audit Scotland's [Technical Reference Library](#)

- [The Income-related Benefits \(Subsidy to Authorities\) Order 1998, SI 562, as amended](#)
- [The Social Security Administration Act 1992](#)
- [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 2021/22
- DWP 17 March 2022 letter Housing benefit 2021/22 final subsidy claim (MPF720B) which enclosed the 2021/22 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

- [S2/2021: Additional new burdens funding to meet the costs of implementing the changes to the Housing Benefit \(Persons who have attained the qualifying age for State Pension credit\)\(Amendment\) Regulations 2021](#)
- [S5/2021: Additional new burdens funding to meet the costs of delivering welfare reform changes in 2021 to 2022](#)
- [S6/2021: Payments for the Verify Earnings and Pension Service 2021 to 2022](#)

- [S7/2021: Housing Benefit administration subsidy arrangements for English, Scottish and Welsh local authorities 2021 to 2022](#)
- [S8/2021\(revised\): Housing Benefit Award Accuracy Initiative funding for financial year ending March 2022 for LAs participating from 6 April 2021](#)
- [S9/2021: Housing Benefit Award Accuracy Initiative funding for financial year ending March 2022 for local authorities participating from 5 July 2021](#)
- [S11/2021: Housing Benefit Award Accuracy Initiative funding for financial year ending March 2022 for local authorities participating from 4 October 2021](#)
- [S3/2022: Additional New Burdens funding to meet the costs of implementing the Improvements to supported accommodation and temporary accommodation Single Housing Benefit Extract management information](#)

Adjudication and operations circulars

- [A1/2021: Housing Benefit uprating: 2021-22 \(2nd revision\)](#)
- [A2/2021: War Pensions uprating 2021-22](#)
- [A3/2021: Housing Benefit \(person who have attained the qualifying age for state pension credit\) \(Amendment\) Regulations 2021 \(Revised\)](#)
- [A4/2021: The Universal Credit \(Persons who have attained state pension credit qualifying age\) \(Amendment\) Regulations 2020](#)
- [A5/2021: Pre-settled status – effect of the Court of Appeal decision in the Fratila case](#)
- [A6/2021: Housing Benefit Award Accuracy Initiative for the financial year ending March 2022](#)
- [A7/2021: The Housing Benefit and Universal Credit \(Care Leavers and Homeless\) Amendment Regulations 2021](#)
- [A8/2021: The Domestic Abuse Support \(Relevant Accommodation and Housing Benefit and Universal Credit Sanctuary Schemes\) \(Amendment\) Regulations 2021](#)
- [A9/2021: The Social Security \(Habitual Residence and Past Presence\) \(Amendment\) Regulations 2021](#)
- [A10/2021: Claimants without a status under the European Union Settlement Scheme at the end of the Grace Period](#)
- [A4/2022: The Social Security \(Habitual Residence\) \(Amendment\) Regulations 2022 and the Homes for Ukraine Scheme](#)

LA welfare direct bulletins

- [LA Welfare Direct 3/2021](#)- includes details on the Coronavirus Support Scheme regarding working households receiving tax credits and changes to exemptions in respect of the shared accommodation rate.
- [LA Welfare Direct lite 7/2021](#)- details on the new Child Disability Payment from Social Security Scotland and its impact on HB
- [LA Welfare Direct 12/2021](#)- further details on the rollout of Child Disability Payment by Social Security Scotland
- [LA Welfare Direct lite 12/2021](#)- details on the temporary extension to the Statutory Sick Pay self-certification period to 28 days and fit note easement for benefits
- [LA Welfare Direct 2/2022](#)- details on the roll out of the new Adult Disability Payment by Social Security Scotland and its impact on HB.

Appendix 3. Examples of reporting errors and observations

Summary of initial testing

Cross cutting qualification issues [Examples]

In year reconciliation cells

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)

Sample testing of headlines cells

In accordance with HBAP Module 3 an initial sample of

- x cases was completed for rent rebates (cell 011) and,
- x cases was completed for rent allowances (cell 094) expenditure cells.

We have re-performed a sample of the local authority's 40+ testing and confirm the tests we have carried out concur with the local authority's results:

Cell 011 Rent Rebate - No claims were found to be in error.

Or:

Cell 011 Rent Rebate - Incorrect application of non-dependant deduction

Initial testing of Cell 011 identified that 1 claim had a non-dependant incorrectly applied. As it was not possible to correctly establish the error for amendment, additional testing of 40 cases was completed for the error.

Cell 011 Rent Rebate Self Employed income

Initial testing of Cell 011 identified that the local authority had incorrectly calculated self-employed earned income resulting in an overpayment of benefit. The authority identified all self-employed claims in Cell 011 and has tested each claim. This is detailed in Appendix C as the authority has amended the claim in respect of these incorrect claims.

Cell 094 Rent Allowance

No claims were found to be in error.

Completion of Modules

The specific test requirements set out in Modules 2 and 5 have been completed.

Completion of Module 2 - benefit system parameters

Testing of the module 2 identified where benefit had been underpaid as a result of the authority entering a lower amount when updating a system parameter. This is detailed in Appendix B.

Completion of Module 5 - reconciliation of benefit granted to paid

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Or:

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	F. Adjusted benefit granted figure per authority reconciliation B + D - E
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

The sum of £1,342 in column E represents the unreconciled difference between benefit granted and benefit paid per the software supplier's reconciliation.

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

Summary of testing arising from Cumulative Assurance Knowledge and Experience (CAKE)

CAKE testing has been carried out based upon the preceding covering letter on sub populations for:

- Rent Rebates - misclassification of expenditure as backdating expenditure within Cell 038
- Rent Allowances - incorrect calculation of earned income selected from Cell 094
- Rent Allowances- incorrect classification of overpayments within Cell 114.

We have re-performed a sample of the authority's testing and confirm the tests we have carried out concur with the authority's results. These results are outlined in Appendix A.

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

- Rent Rebates - misclassification of expenditure as backdating expenditure within Cell 038

Summary of COVID-19 related matters

Include here any issues related to COVID-19 measures such as:

- Trust and Protect
- Payment on account.

Appendix A: Unadjusted errors

Error type 3

Cell 011 Overpaid benefit – non-dependant deduction error

Cell 011 Rent rebates Cell Total: £2,774,426

Cell Population: 841 cases

Cell Total £800,526– sub population

Cell Population: 150 cases – sub population

Initial testing showed one claim (value: £5,032) had a non-dependant deduction incorrectly applied that resulted in an underpayment of £136.60. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect subsidy and has not, therefore, been classified as errors for subsidy purposes and so is not included in the extrapolation below.

As it was not possible to correctly establish the error for amendment, additional testing of 40 cases was completed.

Only one further claim was identified as an error. 1 claim (total value £3,856) was discovered to have had a non-dependant deduction applied incorrectly resulting in an overpayment of £183.

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

Sample	Movement / brief note of error:	Original cell total: sub population (Non Dep deductions)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial Sample of 20– 1 error	Incorrect Non-Dep Deduction Calculation – Cell 011	£2,774,426	£0	£5,032	0%	N/A
Additional testing sample of 40 - 1 error	Incorrect non-dep deduction Cell 011	£800,526	£183	£201,260		
Combined sample- 41 cases		£800,526	£183	£206,292	0.09%	£710
Adjustment	Cell 014 understated	£800,526	£183	£206,292	0.09%	(£710)
Corresponding Adjustment	Cell 026 overstated					£710
Total corresponding adjustment	Total amendment of cell 014 and 028					(£710)

Cell 094: Rent allowances total expenditure

Cell Total: £97,642,719

Cell Total £28,190,982 – sub population

Cell Population: 17,720 cases

Cell Population: 5,318 cases – sub population

Headline Cell: £97,642,719

In 2019/20 and 2020/21 it was identified that the authority had incorrectly calculated earned income resulting in an overpayment of benefit. During our initial testing, 6 cases (value £21,433) where the assessment was based on earned income were tested and no errors were identified.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified 4 cases which resulted in an overpayment of housing benefit to a total of £1,477 due to miscalculating the claimant's earned income. The errors ranged from £2 to £823.71.

As a result of the additional testing, it was discovered that an overpayment was incorrectly classified. This is detailed in appendix B.

5 cases which had resulted in an underpayment of housing benefit to a total of £2,053 due to miscalculating the claimant's earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the third year that this error has been identified in the HBAP Report. The result of my testing is set out in the table below:

Sample:	Movement/ brief note of error	Original cell total - sub population	Sample error:	Sample value:	Percentage error rate	Cell adjustment :
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial Sample -6 cases	Incorrect income calculation	£97,642,719	£0	£21,433		
CAKE sample- 40 cases	Incorrect income calculation	£28,190,982	£1,477	£269,191		
Combined sample- 46 cases	Incorrect income calculation	£28,190,982	£1,477	£290,624	051%	£143,271
Adjustment:	Cell 102 overstated.	£28,190,982	£721	£290,624	0.25%	(£69,938)
Adjustment:	Cell 103 overstated.	£28,190,982	£756	£290,624	0.26%	(£73,333)
Total correspondin g adjustment	Total understatem ent of cell 113.					£143,271

Error type 4

Cell 114 Expenditure misclassification – Incorrect classification of eligible overpayments

Cell Total: £1,459,422

Cell population 6,324

Headline Cell: £97,642,719

It was identified in the 2020/21 claim and reported for that year that Cell 114 included overpayments that should properly have been classified as Cell 113 LA error and administrative delay overpayments. Testing within the initial testing for 2021/22 included 4 cases within Cell 114 eligible overpayments and in all cases

the overpayments were classified appropriately. Additional 40+ testing was undertaken of Cell 114 overpayments.

Testing of an additional random sample of 40 cases identified 3 cases (total value £534) where the dates have been incorrectly applied and part of the overpayment should have been classified in cell 113 (LA error and administrative delay overpayments), not cell 114. Consequently, cell 114 is overstated and cell 113 is correspondingly understated. There is no effect on cell 094. Errors ranged in value from £54.00 to £180.00.

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	Cell adjustmen	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	
Initial sample - 4 cases	Combined results for initial sample.	£1,459,422	£0	£5,621			
Additional sample - 40 cases	Cell 114 overstated. Cell 113 understated	£1,459,422	£534	£68,676			
Combine d sample 46 cases	Combined sample. Cell 114	£1,459,422	£534	£74,297	0.72%	£10,489	£1,448,933
Adjustme nt	Cell 114- eligible overpayment s error overstated.					(£10,489)	
Correspo nding adjustme nt	Total understateme nt of Cell 113					£10,489	

Appendix B: Observations

If there are no observations, then state: There are no observations to report.

Error Type 1

Cell 011: Rent Rebates – Total expenditure (Benefit Granted)
 Cell Total £1,034,012
 Cell Population 34,003
 Headline Cell £1,034,012

Underpaid benefit

Testing of the module 2 identified where benefit had been underpaid as a result of the local authority entering a lower amount when uprating the x system parameter.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments that could be 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.

Error Type 1

Cell 011: 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.

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.

Cell 094 Overpaid benefit – Earned Income calculation error additional issue

As a result of the additional testing on Cell 94 earned income it was discovered that an overpayment had been classified as eligible error (cell 114) when it should have been classified as local authority error (Cell 113). Cell 114 is overstated by £33.00 and Cell 113 is understated by the same amount.

Appendix C: Amendments to the claim form

If there are no amendments, then state: There are no amendments to report.
 OR

Error Type 3 – benefit overpaid or insufficient supporting information. Cell 011 Non HRA Rent rebate Self-employed earnings incorrectly calculated

Cell 011 Non HRA Rent rebate
 Cell Total: £2,774,426
 Cell Total £ £193,560– sub population
 Cell Population: 841 cases
 Cell Population: 105 cases – sub population

Initial testing of Cell 011 identified that the authority has incorrectly calculated Self-employed earned income resulting in an overpayment of benefit. The authority identified all self-employed claims in Cell 011 and has tested each claim.

A total of 7 claims were found to be incorrect. Cell 014 was found to be overstated by £1,209.73 and cell 028 was understated.

We have re-performed the test on 11 cases and the authority's findings on those claims were correct.

Cells 14 and 28 have been amended on the claim form. Cell 011 remains unchanged

Appendix D Additional issues

This is an area to inform the DWP of any matter not covered in earlier appendices.

Appendix 4. Examples of reporting post-certification procedures

[Name of Local Authority] Housing Benefit Subsidy claim [financial year] Re-performance testing

I am writing to you in connection with the above.

On [date of agreement] an agreement was made between the DWP and the above local authority that the authority would undertake further work on the above-named housing benefit subsidy claim.

On the basis of your letter to the [x] local authority dated [insert date] we were asked to carry out re-performance testing procedures as detailed in that letter. We confirm that we have carried out those procedures [with the following exceptions], and set out the results in the following section.

Findings

[Insert name of local authority] information submitted to the auditor:

Original Population or sub population

- Value of population
- Number of cases

Sample selected and tested by the local authority

- Value of sample
- Number of cases

Cases found by the local authority to be in error values and numbers

Records made by the local authority of changes to cell values

- Including impact and compensating cell values

Results of re-performance testing including:

- Nature of error
- Value of error
- Value of re-performance sample

[Note- Auditors should confirm:

- the sample contains the appropriate claims if a population was defined
- the auditor chose the sample if a sample was taken from the population
- that the local authority provided the results in the prescribed manner.

Auditors should explicitly report if the local authority did not carry out the testing in the prescribed manner or errors were found when the re-performance testing was carried out.]

Appendix 5. Impact of COVID-19 on HB administration

As a result of the COVID-19 pandemic and the associated restrictions, several changes to HB administration have been introduced by the DWP. The DWP also provided clarification on certain other aspects of HB administration.

Section 1 of this appendix covers changes to housing benefit administration and section 2 provides clarification on the treatment of new types of income received by claimants during the pandemic.

The overriding principle is that the existing HB and subsidy legislation apply to all claims, except where variations have been allowed by the DWP.

Section 1 Summary of COVID related changes: HB processes

Evidence requirements: Trust and Protect

The DWP changed verification requirements for HB claimant information during the COVID-19 restrictions; referred to as 'Trust and Protect'. This was introduced with effect from 30th March 2020 and continued to apply during 2021/22.

Where it is not possible to verify prime documents, local authorities can defer the verification of the prime documents that would normally be required from claimants to process new claims and change of circumstances. This applies to both standard verification procedures and RBV where the RBV policy ordinarily requires prime documentation to be verified. When verifying evidence by telephone, authorities were advised to trust information being provided by the claimant.

In applying Trust and Protect to cases which form part of the samples for HB testing, auditors should check that the case has been recorded as a Trust and Protect case by the authority. If the case has not been recorded as Trust and Protect, the normal standards of verification should be applied to the case and any missing evidence should be recorded as an error as normal.

Payment on account

For rent allowance cases, local authorities have been asked by the DWP to consider the application of payment on account, where relevant, to Trust and Protect cases. Where overpayments have been classified as payment on account, auditors should determine if the split between recovered and unrecovered overpayments is supported and correct.

HB Reinstatement cases

The DWP advised that a small number of fraudulent claims for various benefits were made during 2020/21 and 2021/22 using details of claimants in receipt of HB. The DWP are investigating suspected instances on a case by case basis.

Where DWP investigations find that the claim was not made by the claimant, all previous benefits will be reinstated. The relevant local authorities will have received a notification from named DWP contacts (Sheena Parker, Gary Todd or Paul Gibson) in order to reinstate HB under these circumstances.

In cases where authorities have reinstated cases under these circumstances, but without contact from the appropriate DWP contacts, the relevant period of the HB claim should be assessed as an error and included in the auditor's letter to the DWP.

As instances of this are expected to be rare, auditors are not required to include these errors in an extrapolation table but to report the cell adjustments on a case-by-case basis.

Risk Based Verification

The requirement to conduct an annual review of RBV policies has been suspended for 2021/22. However, any significant changes made to policies during 2021/22 are subject to normal controls.

Section 2 Summary of COVID-19 related changes: claimant income

During 2020/21 and 2021/22 both the UK Government and the Scottish Government provided various assistance programmes for businesses and individuals.

This section sets out how these assistance schemes should be treated for HB purposes.

Business Grants

The Scottish Government introduced [multiple support funds](#) for businesses and individuals affected by COVID-19 restrictions. More details on the various business funds are at <https://findbusinesssupport.gov.scot/browse-support#!Products=/coronavirus/last-modified/show+50/page+1>. No changes have been made to HB legislation and the existing rules on the treatment of income and capital continue to apply. Therefore, where it is clear that a grant or loan is intended to support a business, it can be treated as capital and disregarded as a business asset for 12 months.

Income from the Self Employment Income Support Scheme (SEISS)

The Self-Employed Income Support Scheme (SEISS) ran from March 2020 to September 2021.

The SEISS income remains a payment of taxable income received from self-employment and is part of the self-employed income assessment for the tax year in which it is received. Therefore, claimants should report SEISS income

as a change in circumstances and any claims should be reassessed accordingly

Identified errors found during initial testing should be reported and subject to additional testing where appropriate.

Where errors have been identified during the 2020/21 or 2021/22 that relate solely to the operation of the SEISS scheme then, if available, additional testing should be applied to the sub population that includes cases where the SEISS scheme has been applied.

If the sub population is less than 40 then all cases in that population should be tested and any required adjustments incorporated into an agreed cell adjustment. If the identified sub population exceeds 40 but is under 100 then the small population guidance should be considered.

Where errors were identified during 2020/21 that relate solely to the operation of the SEISS scheme then, if available, the CAKE sampling and testing should be applied to the sub population that includes cases where the SEISS scheme has been applied. If the sub population is less than 40 then all cases in that population should be tested and any required adjustments incorporated into an agreed cell adjustment. If the identified sub population exceeds 40 but is under 100 then the small population guidance should be considered.

Additional earnings disregard (AED) and Working Tax Credits (WTC) increases

The rate of the additional earnings disregard (AED) in HB Regulations was increased from £17.10 to £37.10 from 6 April 2020 to 4 April 2021 to reflect the temporary WTC increase in 2020/21. A one-off payment of £500 was paid to WTC claimants when the temporary increase in WTC ended. This payment can be disregarded for HB purposes.

Job Retention Scheme/ Job Support Scheme (furlough)

The Coronavirus Job Retention Scheme (CJRS) also known as the 'furlough scheme' ended on 30 September 2021.

The furlough scheme enabled employers to continue to make payments to their employees of taxable earned income, which continue to be treated as earned income in HB.

NHS Test and Trace self-isolation payment

Individuals contacted by Test and Protect and asked to self-isolate because of COVID-19, may be eligible for a £500 Self-Isolation Support Grant. These payments can be disregarded for HB income calculation purposes.

The Scottish Social Care Staff Support Fund

The Social Care Staff Support Fund has been created to ensure that relevant social care workers do not experience financial hardship due to either being ill with coronavirus or having to self-isolate. The fund came into force on 27 May 2020 and was extended to 31 March 2022.

Any payment received from the Scottish Social Care Staff Support Fund should be treated as earnings for HB purposes.

Scottish payments for health and social care workers

A one-off £500 pro-rated payment for Scotland's health and social care staff (including nurses, porters, doctors, primary care staff, homecare workers, care home staff, hospice staff and residential childcare staff) was announced in November 2020.

Most staff received the payment in February 2021 salaries. However, some staff may have received a later payment and some staff chose to receive their payments in three monthly/13-week instalments from February to April 2021.

Any payment received should be treated as earnings for HB purposes and included in any benefit assessments, applicable for the period that the payment is made.

Covid Winter Support Fund

A significant package of extra targeted financial support for those in need over the winter period was announced in October 2021. Payments for these grants meet the definition for 'Local Welfare Provision' in HB regulations, and so can be disregarded.

Student hardship payment

Hardship payments may be received by students. These may be paid by universities, colleges or the Student Awards Agency Scotland. Low numbers of students are eligible for HB. These hardship payments are disregarded for HB purposes.

Technical Guidance Note TGN/HBS/22

Auditor Certification of 2021/22 Housing Benefit Subsidy Claims

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