



Housing Benefit Subsidy Team
House Delivery Division
DWP Business Finance & Housing Delivery Directorate
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

FAO Carl Whatley
Chief Finance Officer
Test Valley Borough Council
Beech Hurst
Weyhill Road
Andover
SP10 3AJ

20 November 2023

Dear Carl

Agreed-upon Procedures Report to Test Valley Borough Council and the Department for Work and Pensions of factual findings in relation to the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2023

Purpose of this Agreed-upon Procedures Report and Restriction on Use and Distribution

This report is produced in accordance with the terms of our engagement letter with Test Valley Borough Council dated 21 June 2022 and the standardised engagement terms in Appendix 2 of Housing Benefit (Subsidy) Assurance Process (“**HBAP**”) Module 1 FYE March 2023 issued by the Department for Work and Pensions (“**DWP**”) for the purpose of reporting to the Section 151 Officer of Test Valley Borough Council (the “**Local Authority**”) and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 26 April 2023.

This report should not be copied, referred to or disclosed, in whole (save as otherwise permitted by the standardised engagement terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and the DWP, we acknowledge that the Local Authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of the Local Authority and the DWP as described in the DWP HBAP reporting framework instruction FYE March 2023.

This report should not therefore be regarded as suitable to be used or relied on by any other party for any purpose or in any context. Any party other than the Local Authority and the

DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Local Authority's Responsibilities

As Section 151 Officer of the Local Authority, you have responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. You are also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

The Section 151 Officer of the Local Authority and the DWP have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Section 151 Officer is responsible for the completion of the MPF720A and is the signatory on the Local Authority's certificate on claim form MPF720A.

Our Responsibilities

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A dated 26 April 2023 by the Section 151 Officer.

We conducted our engagement in accordance with HBAP Modules 1 and 6 2022/23 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

Our engagement was carried out in accordance with the DWP reporting framework instruction and in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements* issued by the International Auditing and Assurance Standards Board. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 26 April 2023, and to report the factual findings, which are the factual results of those procedures to the Local Authority and the DWP. We make no representation regarding the appropriateness of the agreed-upon procedures.

The results of the agreed-upon procedures are reported in Appendices A, B, C and D.

The procedures specified in DWP's HBAP reporting framework instruction do not constitute an examination made in accordance with generally accepted auditing or review standards, or an assurance engagement performed in accordance with any standards applicable to assurance, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures, or had we performed an audit or review of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A in accordance with generally accepted auditing or review standards or an assurance engagement performed in accordance with any standards applicable to assurance, other matters might have come to our attention that would have been reported to

you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our reports, or for the opinions we have formed in respect of that audit.

Professional Ethics and Quality Control

We have complied with the ethical requirements in the ICAEW Code of Ethics issued by the Institute of Chartered Accountants in England and Wales. For the purpose of this engagement, there are no independence requirements with which we are obliged to comply.

The firm applies International Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of HBAP report

Summary of Initial Testing

In accordance with the HBAP modules, an initial sample of 20 cases was completed for all general expenditure cells. The outcomes of the testing undertaken are summarised below:

Cell 011: Non HRA: Our initial testing identified:

- 1 case where the authority has incorrectly assessed claimant earnings resulting in an overpayment of housing benefit. Further details can be found in Appendix C.

Cell 094: Rent Allowance: Our initial testing identified:

- 1 case where the authority has incorrectly assessed claimant eligible rent in cell 102 resulting in an underpayment of housing benefit. Further details can be found in Appendix B.

Cell 214/225: Modified Schemes: No errors identified.

Completion of Modules

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

Completion of Module 2

We have completed testing of the Module 2 and no issues were identified.

Completion of Module 5

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

Summary of testing arising from Cumulative Assurance Knowledge and Experience

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

- Non-HRA - Cell 011: Assessment of Service Charge.
- Cell 214/225: Modified Schemes – Incorrect war pension assessment.

We have reperformed a sample of the Authorities testing and confirm the tests we have carried out concur with the Authorities results. These results are outlined in the appropriate appendix.

For the form MPF720A dated 26 April 2023 for the year ended 31 March 2023 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the results set out in Appendices A, B, C and D.

Firm of accountants: KPMG LLP
Office: 15 Canada Square, London. E14 5GL.
Contact: Hannah Andrews, Director, 07880 053 138
Hannah.Andrews@kpmg.co.uk

Yours faithfully

KPMG LLP
Chartered Accountants

Name for enquiries: Hannah Andrews

Attachments:

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

Appendix A Exceptions/errors found

No exceptions/errors were found.

Appendix B Observations**HBAP Module 1 – test 9**

We have been unable to obtain prime documentation showing that the Authority's local modified discretionary scheme has been agreed by full Council, owing to the significant time lapse since this scheme was originally approved. In accordance with the guidance on page 569 of the HBAP 2022- 23 Helpfile, the s151 officer at the Authority has however provided a signed representation from the s151 officer saying that policy is available to council members and previously been approved.

Cell 102: Rent Allowance – Assessment of Eligible Rent – Cell 102**Cell Total: £15,043,032****Cell Population: 2,840****Headline Cell: £15,043,032**

Our initial testing of a random sample of 20 cases selected from cell 094 identified:

- 1 case (total error value £17.68) where the authority has incorrectly assessed claimant eligible rent in cell 102 resulting in an underpayment of benefit.

Given the nature of the population, an additional sample of 40 cases were selected from cases in Cell 102 to confirm whether the assessment made is correct. This additional testing identified no further errors.

Underpaid Benefit

As there is no eligibility to subsidy for benefit which has not been paid, the claim identified as underpaid or as not affecting subsidy has not been classified as an error for subsidy purposes.

This is the first year that this error has been identified in a HBAP Accountants Report

Appendix C Amendments**Cell 011: Non HRA Total Expenditure – Assessment of Service Charge****Cell Total: £322,788****Cell Population: 89****Headline Cell: £322,788**

In our 2021/22 HBAP Accountants report we identified that the Local Authority had incorrectly assessed claimant service charge. Given the nature of the population and the errors reported in the 2021/22 HBAP Accountants report, the Authority identified all of the remaining cases in Cell 011 (71 additional cases) and tested all of them to confirm whether the assessment made is correct. The additional testing identified:

- 1 case (total error value £0.45) where the incorrect daily rent rate was used resulting in an understatement of housing benefit.
- 1 case (total error value £1.10) where the authority used the incorrect water and laundry rates in the benefits assessment resulting in an overpayment of housing benefit. The impact of the error is to overstate cell 012 by £0.96 and overstate cell 027 by £0.14. There is a corresponding understatement of cell 026 by £1.10.

Our initial random sample of 20 cases selected from Cell 011 identified no related errors.

Total Impact

The total impact of errors is summarised in the table below.

Cell	Total impact
Cell 012	£0.96 overstated
Cell 027	£0.14 overstated
Cell 026	£1.10 understated

The above cells have been amended on Form **MPF720A dated XXX.**

This is the second year that this error has been identified in a HBAP Accountants Report.

Cell 214/225: Modified Schemes – Incorrect war pension

Cell Total: £30,824

Cell Population: 12

Headline Cell: £30,824

In our 2021/22 HBAP Accountants report we identified that the Local Authority had miscalculated claimants war pension income. Given the nature of the population and the errors reported in the 2021/22 HBAP Accountants report, the Authority identified all cases in Cell 214/225 and has tested each claim to confirm that war pension income has been correctly calculated. This additional, 100% testing identified:

- 1 case where benefit expenditure has been misclassified as a result of the incorrect assessment of war pension income (total error value £7.64). The impact of the error is to understate cells 214 and 225, with a corresponding overstatement of cells 094 and 102.
- 1 case where benefit expenditure has been misclassified as a result of the incorrect assessment of war pension income (total error value £0.46). The impact of the error is to overstate Cells 214 and 225 by £0.46, with a corresponding understatement of cells 094 and 102. There is no impact on cell 094.

Total Impact

The total impact of errors is summarised in the table below.

Cell	Total impact
Cell 214 and 225	£7.18 understated
Cells 094 and 103	£7.18 overstated

The above cells have been amended on Form MPF720A dated **XXX.**

This is the second year that this error has been identified in a HBAP Accountants Report.

Cell 011: Non HRA Total Expenditure – Assessment of Earned Income**Cell Total: £322,788****Cell Population: 89****Sub Population Total: £ 26,152****Sub Population: 10****Headline Cell: £322,788**

Our initial testing of a random sample of 20 cases selected from cell 011 identified:

- 1 case where the authority had incorrectly input claimant earnings resulting in an overpayment of housing benefits by £0.10. The impact of the error is to overstate cell 013 with a corresponding understatement of cell 026. There is no impact on cell 011.

Given the nature of the population, the Authority identified all cases in Cell 011 with earned income and has tested each claim to confirm that earned income has been correctly calculated. This additional testing identified no further errors.

Total Impact

The total impact of errors is summarised in the table below.

Cell	Total impact
Cell 013	£0.10 overstated
Cell 026	£0.10 understated

The above cells have been amended on Form MPF720A dated **XXX**.

This is the first year that this error has been identified in a HBAP Accountants Report

Appendix D Other Matters

No additional issues.