

Technical Guidance Note

TGN/HBS/21

Auditor Certification of 2020/21 Housing
Benefit Subsidy Claims



 AUDIT SCOTLAND

Prepared for appointed auditors in the local government sector

14 April 2021

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- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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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
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MPF720B	30 April 2021	30 November 2021
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Risk areas

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. Expenditure on modified schemes is not properly treated.
8. Administration subsidy is not properly stated.
9. Interim benefit subsidy is not properly stated.

Address for certified claim

Lawelfare.lapaymentsandsubsidy@dwp.gov.uk

Department for Work and Pensions, Operations Finance, Housing Delivery Division, Housing Benefit Unit-Room B120D, Warbreck House, Blackpool, FY2 0UZ

Technical Guidance Note publication date and relevant year	Professional Support contact point and email address
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14 April 2021 for 2020/21 claims	Anne Cairns
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Introduction

Purpose

1. The purpose of this Technical Guidance Note from Audit Scotland's Professional Support is to provide external auditors appointed by the Accounts Commission with guidance on the certification of 2020/21 housing benefit (HB) subsidy claims. The approach set out in this Technical Guidance Note has been agreed with the Department for Work and Pensions (DWP).
2. Appointed auditors are required by the [Code of Audit Practice](#) to review, as part of their audit appointment, approved grant claims and other financial returns submitted to grant-paying bodies by local 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. It is a condition of the DWP that external auditors should use the testing and reporting approach set out in their Housing Benefit Assurance Procedures (HBAP). This Technical Guidance Note therefore provides guidance on the application of the HBAP approach to the certification of subsidy claims of Scottish local authorities for 2020/21.
4. This Technical Guidance Note:
 - provides guidance for auditors on the examination of the HB subsidy claim, including highlighting the main risk areas
 - sets out and explains the preliminary procedures (at section 1), testing procedures (at section 2), procedures for evaluating results and agreed 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 in covering letters at Appendix 3
 - provides examples of reporting the results of post-certification procedures at Appendix 4
 - sets out the impact of COVID-19 on benefit administration during 2020/21 and the related implications for audit testing at Appendix 5
 - clarifies for the DWP the nature of work undertaken by appointed auditors before giving their certificate.
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 note 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 note is based.
7. Auditors should also refer to the general guidance on the certification of claims provided by [Technical Guidance Note TGN/GEN/21](#).

This Technical Guidance Note provides guidance on auditor certification of HB subsidy claims

Auditors should use the HBAP approach

Auditors should also refer to TGN/GEN/21

Nature of scheme

8. The HB subsidy scheme is the means by which local authorities claim subsidy from the DWP towards the cost of paying HB in their local areas. Claimants obtain these benefits by application to the local authority.
9. Benefit schemes of rent rebates for tenants of a local authority and rent allowances for private tenants are provided for by the Social Security Contributions and Benefits Act 1992 and the Social Security Administration Act 1992 (as amended).

The scheme subsidises the cost of paying HB

Changes in scheme for 2020/21

10. Key changes affecting the scheme in 2020/21 are summarised in the following paragraphs.
11. Throughout 2020/21 the DWP introduced a number of temporary changes to HB administration to assist councils 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 HBAP testing for the 2020/21 subsidy claims is contained in Appendix 5 which auditors should refer to when carrying out testing.
12. The Scottish Government Job Start scheme launched in March 2020 is a single payment of £250 or £400 (if the claimant has responsibility for a child). As Job Start payments are paid under powers in section 2 of the Employment and Training Act 1973 the payments fall within existing capital disregards in HB regulations and can be disregarded for 52 weeks from the date of receipt.
13. Similarly, Scottish child payments which commenced in February 2021 are not prescribed as income for the purposes of the HB Regulations and therefore should be disregarded. The payments are also disregarded as capital.

Funding arrangements

14. 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%.
15. 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.

With some exceptions, subsidy is paid at the rate of 100%

Contact point

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

Auditor certification overview

Purpose of section

17. This section provides an overview of the auditor certification arrangements, including an explanation of the HBAP approach.

Changes in 2020/21

18. New guidance has been added at section 3 on re-performance of initial testing carried out by the local authority. There are also a new testing procedure 4B and completion procedures 2 and 3 in respect of the impact of COVID 19.

HBAP modules

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

Module	Content	Available
2: Uprating	A checklist to help auditors ensure that the local authority's system is using the correct benefit parameters to calculate benefit entitlement and to claim subsidy.	Now
3: Workbooks	Workbooks to be completed for detailed testing, including step-by-step guidance and a test result summary.	Now (follow the guidance provided on 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 2021 (for each software supplier)

20. Modules 1,6 and X 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 Technical Guidance Note, and on reporting and further testing at sections 4 and 5.

21. Module 4, an analytical review tool used in previous years, does not require to be completed for 2020/21.

Testing methodology

22. A key element of the HBAP approach involves auditors selecting a sample of benefit cases and undertaking detailed testing using the HBAP Module 3 workbooks. The focus of the testing is to assess whether benefit has been awarded in accordance with regulations, and that subsidy has been properly claimed. It has the following stages:

- An initial random sample of cases should be selected.
- Where initial testing identifies errors, auditors should critically evaluate the reasons to determine what action and further testing is necessary.
- Where testing identifies issues that can be resolved, auditors should agree amendments to the claim form to be made by the authority.
- Where testing identifies issues that require a qualification to the auditor's conclusion on the claim form, they should be included in a covering letter.

Testing stages assess whether benefit has been awarded in accordance with regulations and subsidy has been properly claimed

23. Auditors should note that compliance with the testing arrangements set out in this Technical Guidance Note is a condition of the DWP. Auditors should also have regard to the guidance in the HBAP help file and Appendix 5

24. The DWP has arrangements in place with local authorities 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 any external auditor to use the CIS directly.

Auditors do not have to use the CIS directly

Data protection

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

26. When obtaining data samples, the list provided by the authority should contain only sufficient information for the auditor to select their sample (not a full download of the data). The list should be sent to the auditor securely, stored securely, and destroyed securely (or returned) once the sample has been extracted.

27. 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.

28. 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.

Auditors should destroy workbooks when no longer needed

Submission of claim to auditor

29. The subsidy claim forms are provided in a pdf format, and the completed pdf form is submitted by local authorities to the DWP by email. In addition, the DWP requires local authorities to scan and email them the first page of the claim form and the local authority certificate page.

30. Local authorities are required to submit a copy of the claim form, including a completed local authority certificate, to external auditors. The submission deadline for 2020/21 to both the DWP and auditors is 30 April 2021.

- 31.** Due to the implications of COVID-19, the DWP is aware that the 30 April 2021 deadline for submission of the claim to DWP and auditors may not be achievable. In such cases the local authority should contact the DWP to ask for an extension to submission of the claim and/or the auditor certification deadline.
- 32.** The DWP has agreed electronic signatures are acceptable for 2020/21 subsidy 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 as long as the email originates from the Chief Financial Officer.

Section 1

Preliminary procedures

Purpose of section

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

Preliminary procedures

Preliminary procedure 1 - Completion of form

Auditors should confirm that:

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

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

- 36.** The DWP have confirmed that electronic signatures are acceptable for 2020/21 claim forms.

- 37.** 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
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	214 Yes Other cells No

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

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

Preliminary procedure 2 - Correct form

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

- 39. 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.
- 40. 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.

Section 2

Testing procedures

Purpose of section

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

Testing procedures

Test 1 - Benefit granted

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

42. 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 2020/21. 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.
43. 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.

**Certain
expenditure
does not attract
subsidy**

44. 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.
45. Subsidy should not be claimed in 2020/21 for HB which is due for a period falling wholly within the financial year 2021/22, but which is issued in 2020/21 to ensure timely receipt; subsidy for those payments should be claimed in 2021/22. 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.
46. Entries in the cells which analyse the totals in the headline cells (rent rebates in cells 012 to 033 and 038 and rent allowances in cells 095 to 124 and 131) should be completed on the same basis as the headline cells, i.e. based on benefits granted and excluding the categories of expenditure set out at paragraph 42.
47. Auditors should confirm for each benefit type that benefit granted in the claim form (total expenditure in the headline cells) agrees with the figure for benefit granted used in the software supplier's reconciliation of benefit granted to benefit paid per the benefit software. Auditors should refer to any differences in a covering letter. Rounding differences do not require to be reported.

Subsidy should be claimed in the year in which HB is paid

Test 2 - Reconciliation to benefit paid

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

48. 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.
49. Auditors are not required to review any reconciliation between benefits paid per the benefits system and the general ledger or accounting systems.

Test 3- Upating of benefit systems

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

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

Test 4(A) - Initial testing

Auditors should select an initial sample of 20 cases from the headline cells for rent rebates and rent allowances and test the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry as set out in the HBAP module 3 workbooks and in Appendix 5.

51. Auditors should select an initial random sample of 20 cases from the audit trails that support the headline cells for rent rebates (cell 011) and rent allowances (cell 094) on the claim form (i.e. a total sample of 40). If the test population for a benefit type is less than 100, auditors may reduce the initial sample pro rata, e.g. a population of 49 would require a sample of 10.
52. 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.

- 53.** Auditors should refer to Appendix 5 which includes specific changes to benefit administration during 2020/21 and associated requirements for auditors due to the COVID-19 pandemic.
- 54.** If the local authority changes housing benefit software or supplier which results in a change in reference number for the sample case within the subsidy year the auditor will need to test all sample case transactions from the legacy system and new system so that all benefit transactions in the year made to the claimant are tested.
- 55.** The work required on the initial samples involves testing the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry. The detailed testing required is set out in the HBAP Module 3 workbooks, which record whether each case passes or fails each test. Guidance on evaluating the results of the initial tests is provided at section 3.
- 56.** If testing is started early using an audit trail other than the final claim form, the details tested must be agreed to the final claim form audit trail before the claim is certified. Any differences must be examined and the impact assessed before the claim is certified.
- 57.** The DWP introduced risk-based verification (RBV) on a voluntary basis from April 2012. Any local authorities opting to apply RBV are required by the DWP to have a RBV policy in place detailing their risk profiles, the verification standards which will apply, and the minimum number of claims to be checked. There is no national model for the RBV policy.
- 58.** 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.
- 59.** For certification purposes, the application of a local authority's RBV policy to individual benefit claims should be considered in the sample testing of cases under HBAP for 2020/21. Where RBV is not applied to a new claim or change of circumstance the prevailing standards of evidence to support claims for benefit and subsidy claimed apply.
- 60.** During 2020/21 the DWP issued additional guidance on the application of RBV during the COVID-19 pandemic. Details of the changes are included in Appendix 5.

All transactions in 2020/21 against a selected reference number require to be tested

Auditors should not approve any RBV policy

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

Auditors should check that:

- relevant cases have been recorded and appropriately assessed as Trust and Protect cases
 - payment on account has been considered where appropriate and the split between any associated recovered and unrecovered overpayments is correct
 - for claims in relation to COVID-19 homeless prevention schemes
 - the council has documented the decision to classify particular accommodation as a hostel
 - the accommodation satisfies the definition of a “hostel”
 - the correct LHA rates and exemptions have been applied
 - cases have been properly annotated where HB remained in payment beyond the usual 4-week time limit for absence outside of Great Britain.
-
- 61.** During 2020/21 the DWP issued additional guidance on certain types of benefit cases and administration requirements for new claims and changes of circumstance. Auditors are required to ensure this additional guidance is followed by councils. This guidance covers:
- evidence requirements under the DWP Trust and Protect scheme
 - payment on account for certain rent allowance claims
 - homeless claims
 - claimants who have been absent from their normal home address.

62. Auditors should refer to Appendix 5 where further guidance is provided.

Test 5 - In-year reconciliation cells

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

63. 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.
64. However, there is no validation check forcing the two figures to be equal before the authority can certify the form. The DWP has confirmed it will pursue any differences at the initial claim stage and require an authority to undertake further work and provide the results of this work to its auditor. Auditors should refer to any differences remaining or identified at the final claim stage in their covering letter. The DWP may require authorities to resolve these differences but auditors are not required to do so. Differences due to roundings between the 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 confirm that uncashed cheques and other expired instruments of payment result in the necessary adjustments to subsidy.

65. 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.
66. Auditors should examine prime documents and assess whether the authority's system for dealing with uncashed cheques, etc results in them being excluded from the subsidy claimed. The adjustments to subsidy are as follows:
- Uncashed cheques, etc identified in the financial year of issue should have been deducted from the total qualifying expenditure for the year and from any other cell on the form in which the expenditure was included (e.g. from overpayments).
 - Uncashed cheques, etc from a previous financial year should have been accounted for by including the subsidy claimed in the previous year(s) in cell 179S.

Test 7A - Disproportionate rent increase deduction - exemption

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

67. 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 2020 and 31 March 2021 by a higher percentage than the percentage increase in the average rent of tenants who are not receiving rebates.
68. 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 clients 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 2020/21 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 2020/21 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 2020/21 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 2019/20; and there is clear evidence that rent increases during 2020/21 were the same percentage and applied on the same day for all tenants. 	181b

69. 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 confirm that

- the entries in cells 184a to 185b are supported by control totals produced by the rents system
- the totals are accurate
- the amounts in respect of modular improvements and HB eligible service charges have been included in average rents
- the DRI percentage figure in cell 182 agrees to the authority's documentation supporting the entry in cell 188 of the 2019/20 subsidy claim form
- cells 182 to 190s have been properly completed.

70. 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 2020/21.

71. The percentage figure for the disproportionate increase in rent rebates in 2019/20 should be entered in cell 182. The disproportionate increase factor for 2019/20 calculated by dividing the figure shown in cell 182 by 100 and shown to four decimal places, should be entered in cell 183.

72. 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 2021?	Average rent at 31 March 2020	Average rent at 31 March 2021
Yes	Cell 184(a)	Cell 184(b)
No	Cell 185(a)	Cell 185(b)

- 73.** It is not relevant whether the benefit status of the tenant was the same on both dates, or whether the tenant had changed, as it is the HB status of the tenant on 31 March 2021 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.
- 74.** If an authority is unable to comply with the requirements of the determination or has performed its calculation on a different basis, auditors should report the facts to the DWP in a covering letter, and set out the rent-setting policy adopted, e.g. 'The local authority has increased its rents since March 2020 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- Modified schemes subsidy

Auditors should confirm that expenditure on modified schemes has been:

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

Auditors should select a sample of 20 cases from cell 214 and test to ensure that the local scheme has been applied correctly as set out in the Module 3 workbooks.

- 75.** Where an authority operates a discretionary local scheme (referred to in the form as a modified scheme) to disregard any war pension over and above the statutory disregards (i.e. £10 for war pensions, £97.95 for supplementary pre-1973 war widow's pensions, and £107.95 where both pensions are in payment), the increased benefit paid as a result of the discretionary scheme does not count as qualifying expenditure and is to be excluded from the claim (i.e. excluded from cells 011 and 094 and supporting cells).
- 76.** However, a local authority operating a discretionary scheme receives a 0.2% addition to subsidy, capped at 75% of the total benefit cost of the discretionary scheme to the authority. The total expenditure due to a discretionary scheme (referred to as voluntary on the form) should be entered in cell 214, and should be supported by control reports and totals which reconcile to the claim. Details of the individual cases making up these amounts should be produced by the HB system and should be tested to demonstrate that the scheme requirements have been applied correctly. The entry in cell 214 covers all rent rebate and rent allowance cases.
- 77.** The entry in cell 214 is analysed by benefit type in the table at cell 225. Auditors should agree this analysis to the control records provided to support cell 214. The entry in cell 214 and the total in cell 225 should be the same.
- 78.** Auditors may wish to use the workbook for the relevant benefit type to test the entry in cell 214. A sample of 20 cases should be tested unless the population is less than 100 when the auditor must apply a pro rata sample. The DWP requires the following tests to be carried out:

The DWP
requires these
tests to be
carried out

- Has the local discretionary scheme been agreed by full council? Auditors are not required to approve the content or format of any policy and should not do so. In cases where prime documentation supporting full council agreement is not available, alternative evidence is acceptable. Examples of this include the following;
 - the modified schemes policy has been published on the council's website
 - confirmation from the Chief Financial Officer that the policy is available to council members and has previously been approved.
 - any secondary documentation that implies full approval has been granted.
 - secondary information that supports key council members having sight of the policy i.e. partial approval.

[The above list is not exhaustive and other documentation can be accepted by discretion, in so much that it fulfils the intent of the alternative evidence list above. Where alternative assurance evidence has been used, an observation should be raised in the letter to the DWP detailing the evidence accepted.]
 - Do the prime documents demonstrate that the claimant receives a war pension(s)?
 - Have statutory disregards been correctly applied?
 - Has the increased benefit paid as a result of the local scheme been separately identified and excluded from other cells on the claim form?
- 79.** In practice this probably means that one assessment line needs to be checked for income and disregard to see that the policy is being correctly applied. Auditors should refer to Appendix 5 for details of changes to benefit administration introduced by DWP during 2019/20 due to the COVID-19 pandemic.
- 80.** Errors identified in testing cases from cell 214 should be treated in the same manner as errors found from the initial sample from the headline cells.

Test 9 - Administration subsidy

Auditors should confirm that administration subsidy in cell 005 agrees to:

- the DWP's 17 March 2021 letter
- the authority's financial statements.

- 81.** 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 2021 letter. The amount should also agree to the authority's financial statements.

Test 10 - Interim benefit subsidy

Auditors should confirm that interim benefit subsidy in cell 008 agrees to:

- the DWP's 17 March 2021 letter
- the authority's financial statements.

- 82.** 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 2021 letter and to the authority's financial statements.

- 83.** 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.

Section 3

Evaluating results of initial testing and agreeing amendments

Purpose of section

84. This section provides guidance on evaluating the results of tests 4 (a) and 4(b).

Evaluation procedure

Evaluation procedure

Auditors should evaluate the outcome of the initial testing and:

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

Auditor expectations

85. Where initial testing produces results that do not match auditor expectations, additional work will be necessary to confirm the position. An additional sample of 40 cases from the cells previously containing the error should be tested. If the test population is less than 100, auditors may reduce the additional sample tested pro rata e.g. a population of 49 would require a sample of 20. 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

86. Cumulative Assurance Knowledge and Experience (CAKE) testing may be required to follow up on prior year outcomes. CAKE testing may arise from an observation or qualification in the previous year's covering letter, or an amendment to the previous year's subsidy claim. The purpose of CAKE testing is to establish whether these issues remain unresolved.

87. For example, where misclassification of overpayments has been identified in previous work, but no cases are identified in this year's initial sample, an additional sample of cases from the overpayment cells should be examined to confirm that the misclassification of overpayments has been addressed by the authority and does not affect the claim for all or part of the current period. Reporting the results depends on whether errors have been identified as follows:

- Where the additional CAKE testing identifies errors, the results must be used to complete an extrapolation for inclusion in the covering letter to the DWP.

CAKE testing follows up an issue in a previous covering letter

- Where the additional CAKE testing does not identify any errors and no errors were identified in the initial sample, the results must be reported in the letter to the DWP as an observation. In these circumstances, the issue need not be considered under the CAKE arrangements in the 2021/22 subsidy period.

Errors

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

Nature of error	Auditor response
Error is representative of the population (e.g. when system parameters are wrong)	<p>Auditors should:</p> <ul style="list-style-type: none"> • extrapolate the results of the initial testing • agree an amendment to the claim form to be made by the local authority.
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 the covering letter to the DWP • agree a simple amendment to the claim to be made by 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>
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

- 89.** 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.

- 90.** 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.

The authority should undertake additional testing where possible which should be reviewed by auditors

91. 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.
92. 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.
93. 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.
94. 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 in the observations section of the covering letter to the DWP.
95. 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. This should be reported in the observation section of the covering letter to the DWP.

If auditors carry out additional testing, they should consider the impact on the audit fee

Sub-populations

96. 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.
97. 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.
98. 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

99. Where auditors are not in a position to agree an amendment after the initial testing and drilling down into a sub-population is not possible, the approach agreed with the DWP is to select and test an additional random sample. A minimum sample of 40 cases should be selected from each cell where the initial testing identified errors. 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.

A minimum sample of 40 cases should be selected from each cell where the initial testing identified errors

100. After the testing is complete:

- where the results of initial and additional testing allow, auditors can extrapolate the results and agree an amendment to the claim form to be made by the authority
- where the results of testing do not allow agreed amendments to be made, the results of both the initial sample and the additional testing should be set out in a covering letter, including any effect on other cells on the form.

101. 40+ testing is not required for errors which by their nature do not affect the amount of subsidy claimed (e.g. the misclassification of HB cases between cells of the same subsidy value, with the same method of entitlement calculation, which produce the same amount of qualifying expenditure), and errors that would always result in underpaid benefit and therefore an under claim in subsidy. The initial sample results only need to be reported under the observations heading in a covering letter (see Appendix 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.

40+ testing is not required for errors which do not affect the amount of subsidy claimed

Re-performance of local authority testing

102. Where a local authority carries out initial or additional testing, auditors are required to re-perform some of this testing. The amount of re-performance varies depending on the type of testing:

- For initial testing auditors should re-perform all failed cases plus a random 10% sample of those passed. 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. If the re-performance testing identifies errors in the local authority's testing, auditors should point out the incorrect conclusion reached by the local authority and request that the local authority reviews all cases again. The auditor is then required to select a further sample for re-performance testing including some with the characteristics of the incorrect conclusion. 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 re-perform the full sample of cases.
- For small populations auditors should re-perform a random 10% of the population. Where the results of the re-performance testing do not identify any errors in the local authority's testing, an agreed amendment should be made and reported in the covering letter. If the re-performance testing identifies errors in the local authority's testing the auditor should point out the incorrect conclusion reached by the local authority and request that the local authority review all cases again in light of this issue. The auditor will then pick a further sample for re-performance testing including some with the characteristics of the incorrect conclusion. If this second attempt by the local authority is tested without error, then the auditor will rely on the results. If there are further errors the auditor may move to simply disclaim the local authority's testing and complete a test of 40 cases themselves and extrapolate from these results. An amendment must not be made and the issue and test findings with extrapolation must be included in the covering letter, including any effect on other cells on the form.
- For sub populations and 40+ testing-auditors are required to re-perform all failed cases plus a random 10% sample of the passes. If the re-performance testing identifies errors in the local authority's testing the auditor should point out the incorrect conclusion reached by the local authority and request that the local authority reviews all cases again. The auditor is then required to pick a further sample for re-performance testing including some with the characteristics of the incorrect conclusion. If this second attempt of testing by the local authority is tested without error, then the auditor will rely on the results. If there are further errors the auditor will re-perform the full sample of 40 cases.

Agreed amendments

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

Agreed amendments should be made to the claim by the authority

104. Where the local authority wishes to test a sample larger than 40 cases 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 should approach the DWP to agree the level of testing and re-performance testing required.

Error types

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

Error type	Impact on subsidy	Auditor response
1: Underpaid benefit	<p>Where benefit has been underpaid, there is no impact on the amount of subsidy to be claimed because subsidy cannot be claimed on benefit that has not been awarded.</p> <p>Underpaid benefit must, therefore, be excluded from the calculation of a cell amendment or extrapolation in a covering letter.</p>	<p>The underpaid amount should be excluded from the sample error (which is explained at paragraph 107) but the value of the case excluding the underpayment tested should be included in the sample value. The fact that there are cases where benefit has been underpaid should be included in the observation section of the covering letter. Where the nature of the error could equally result in an overpayment, additional testing is required to try to establish if overpayments have been made.</p>
2: Missing claim forms	<p>Subject to the application of a local RBV policy, where the claim form (paper, document image or electronic format) to support the claim is missing, and the authority is unable to produce other evidence that a claim form was received, the case should be excluded in its entirety from the subsidy claim form. The cell adjustment or extrapolation in a covering letter should remove all expenditure on the case from the subsidy claim form, i.e. from the headline cell and detail cell(s).</p> <p>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 council; copies of records of reviews of the claim; or information from DWP where the benefit is passported.</p>	<p>Where a local RBV policy does not require a claim form, auditors should confirm the authority has complied with its RBV policy for the year in which the claim was determined.</p> <p>If the authority has not complied with its RBV policy, error type 6 is relevant.</p>

Error type	Impact on subsidy	Auditor response
<p>3: Benefit overpaid or insufficient supporting information</p> <p>See Appendix 5 for COVID-19 related changes to supporting information requirements during 2020/21.</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 confirm the authority has complied with it. Where the application of the RBV policy does not enable the auditor to establish the subsidy classification, the case should nevertheless be admitted for subsidy provided the policy has been applied. This is because certification covers the application of the RBV policy, rather than its contents or adequacy. If the authority has not complied with its RBV policy, error type 6 is relevant.</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, but the cell adjustment or extrapolation in a covering letter should remove the expenditure from the detail cell(s) in which the expenditure has been incorrectly reported and increase the cell(s) in which it should have been reported by a corresponding amount.</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>Where the consequential impact of the error on other cells cannot be determined, or the testing identifies a combination of one or more of the above error types and these cannot be separated to enable an amendment or extrapolation for the consequential effect on other cells to be reported in a covering letter, the error(s) should be reported in a covering letter against the cell(s) in which they were identified. The covering letter should state the reason why the corresponding entries could not be established.</p>

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

106. Appendix 3 contains examples of the above error types and how these should be included in a covering letter.

Calculating amendments

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

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

108. SE/SV is referred to in the standard covering letter as the percentage error rate.

109. 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

- 110.** In cases where testing results in an amendment to a cell (or an extrapolated figure included in a covering letter), the effect on other cells needs to be considered and corresponding amendments made or extrapolations provided. If corresponding amendments cannot be identified, the covering letter should explain why.
- 111.** Amendments and extrapolations in covering letters require to satisfy the in-year reconciliation check in each section of the claim form. The failure to deal with the impact of amendments on other cells is likely to cause the in-year reconciliation to fail which would result in the DWP returning the claim to the authority for further work to be carried out.
- 112.** It should be noted that all 2020/21 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.
- 113.** 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 current year HB expenditure not expenditure which was included in previous subsidy claims.

Auditors should consider the effect of cell amendments on other cells

Making and confirming amendments

- 114.** Amendments should be agreed with the authority and the claim returned to the authority for amendment and recertification. Where certification work results in agreed amendments to cell entries, authorities are required to:
- amend a pdf version of the form (not in manuscript) because this will ensure the amendments are automatically reflected in calculations and amounts transferred between cells
 - perform the validation check
 - print a copy of the amended form
 - initial all input cells which have been amended (it is not necessary to initial changes to cells that contain calculations or cells that contain amounts transferred from other cells as these are updated automatically by the form)
 - certify the amended form.
- 115.** Auditors should confirm that all agreed amendments to input cells have been made and initialled by the authority and confirm that no other input cells have been amended. Auditors must detail all amendments made to subsidy claims forms in the covering letter.
- 116.** However, where the number and nature of amendments is so complicated that auditors cannot come to a conclusion overall, it is appropriate to qualify rather than amend the claim.

Section 4

Completion procedures

Purpose of section

117. 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 include any qualified conclusions, observations or amendments in a covering letter.

118. Auditors should conclude whether or not the claim is fairly stated and in accordance with the relevant terms and conditions. Any qualified conclusion, observation or amendment should be set out in a covering letter referred to in the auditor's certificate. Auditors should complete the auditor certificate and covering letter in accordance with Technical Guidance Note TGN/GEN/21.
119. Auditors should note that compliance with the reporting requirements of this Technical Guidance Note is a condition of the DWP.
120. Where the results of testing do not allow agreed amendments to be made, the results of the testing should be set out as a qualified conclusion in a covering letter, including any effect on other cells on the form. The information required, and the structure for including it in a covering letter, is as follows:
- cell number and description, total, and population, and headline cell value
 - a summary of the results from initial and additional testing set out in a tabular format
 - the range of errors found in terms of value and benefit period, and note any differences in error rates between the initial and additional testing
 - an explanation of how the errors occurred and the reason for them
 - the error type
 - the potential effect the error has on the subsidy claim
 - any additional relevant information e.g. mentioning if similar errors have arisen in previous years or stating the action the authority is taking to resolve the issue
 - an explanation as to why an amendment to the cell entry is not possible.
121. Appendix 3 provides examples of how the results of testing should be reported to the DWP in covering letters.

Where cells cannot be corrected, auditors should qualify their conclusion on the claim

Appendix 3 provides examples of reporting testing results in the covering letter

- 122.** 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.
- 123.** 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.
- 124.** The observations section of the covering letter template should be used to refer to errors found during initial testing that do not affect the subsidy claimed.

Completion procedure 2 – Trust and Protect

Auditors should include a summary in relation to the application of payment on account procedures to Trust and Protect cases in the covering letter to the DWP.

- 125.** All amendments to claim forms 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. For 2020/21 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.
- 126.** Auditors should refer to Appendix 5 where further guidance on payment is provided.

Completion procedure 3 – Covering letter

Auditors should make it clear in the letter to the DWP those errors or observations that have been raised as a result of the operation of

- the SEISS scheme or
- job retention schemes.

- 127.** For 2020/21 the DWP require auditors to make a distinction in their letters between errors and observations that have arisen solely as a result of the Self-Employment Income Support Scheme (SEISS) scheme or job retention schemes and errors or observations that relate to income regardless of its source. Further details on SEISS and job retention schemes are included in Appendix 5.

Completion procedure 4 - Submission of certified claim by auditor

Auditors should send a certified copy of the claim form and the covering letter to the DWP (and submit to Professional Support) by 30 November 2021 (or as soon as practicable).

- 128.** The certified copy of the claim form and covering letter should be submitted direct to:

Department for Work and Pensions
 Operations Finance
 Housing Delivery Division
 Housing Benefit Unit-Room B120D
 Warbreck House, Blackpool, Lancashire
 FY2 0UZ

Or by email to: Lawelfare.lapaymentsandsubsidy@dwp.gov.uk

- 129.** Auditors should ensure that the subject of the email contains: [council name] 2020/21 HB certification.
- 130.** The DWP has set a submission deadline by 30 November 2021. Where it is not possible to perform the required audit procedures to an appropriate high quality by that 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 .
- 131.** Auditors should submit a copy of the certified claim form and their covering letter to Professional Support by:
- emailing outputs (firms)
 - adding them to the relevant local authority's 'outputs' library in Sharepoint (ASG).

Section 5

Post-certification procedures

Purpose of section

- 132.** This section sets out the procedures that auditors should carry out if they receive a request from the DWP to carry out additional work after the certified claim and covering letter has been submitted to the DWP.

Post certification procedure

Post-certification procedure - Requests for further work

Auditors should ensure requests for further work including the level of reperformance of work carried out by the local authority are completed appropriately

- 133.** The DWP may 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 letter accompanying the certified claim or due to a local authority making representations to the DWP. Where the DWP agree to take the results of further work undertaken by the local authority into account when settling the final claim, further testing will be carried out by the local authority, and the auditor will be requested to carry out a level of re-performance testing and report on this to the DWP.

- 134.** 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.

- 135.** The DWP will advise on the volume and nature of the testing to be carried out by the local authority, and the reperformance testing required by the auditor.

- 136.** 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 initial 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.

- 137.** Where further work requires a random sample to be taken from a larger population, the selection of the sample must be carried out by the auditor.

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

- 139.** The standard level of re-performance testing required by auditors is set out in the following table:

Auditors may have to carry out procedures after the certified claim has been considered by the DWP

Sample population	Auditor action	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 500 case 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>	1500 cases tested by local authority would require the first 500 cases from the list to be identified and the re-performance of 50 cases. In addition, reperformance of a further 10 cases from the remaining 1000 is required.

140. It should be noted that this is the standard approach that the DWP will take to the volume of re-performance testing which is required. However, this standard approach may be varied by the DWP. If the DWP intend to make a variation, this will be communicated by the DWP to the local authority.

141. Appendix 4 includes an example of how the results of further work requests should be reported to the DWP by the auditor.

142. Auditors should submit a copy of their letter to the DWP detailing the results of further work to Professional Support by:

- emailing outputs (firms)
- adding them to the relevant local authority's 'outputs' library in Sharepoint (ASG).

Appendix 1

Auditor action checklist

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

Testing procedures		Yes/No/N/A	Initials/date	W/P ref
1.	Have you confirmed for rent rebates and rent allowances that benefit granted in the claim form (total expenditure in the headline cells) agrees to final subsidy reports in accordance with HBAP module 5?			
2.	Have you confirmed for rent rebates and rent allowances that benefit granted in the subsidy system has been reconciled to benefit paid in the subsidy system in accordance with the software provider's instructions and HBAP module 5?			
3.	Have you confirmed that the benefit parameters and allowances in the HB system are correctly up to date to reflect the annual uprating as set out in the appendix contained in Module 2?			
4(A)	Have you selected an initial sample of 20 cases from the headline cells for rent rebates and rent allowances and tested the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry as set out in the HBAP module 3 workbooks and Appendix 5?			

Testing procedures	Yes/No/N/A Initials/date	W/P ref
<p>4(B) Have you checked that:</p> <ul style="list-style-type: none"> • relevant cases have been recorded as Trust and Protect cases by the council and assessed appropriately? • payment on account has been considered where appropriate and that any associated split between recovered and unrecovered overpayments is correct? • for claims in relation to COVID-19 homeless prevention schemes <ul style="list-style-type: none"> – the council has documented the decision to classify particular accommodation as a hostel – the accommodation satisfies the definition of a “hostel” – the correct LHA rates and exemptions have been applied? • cases have been properly annotated where HB remained in payment beyond the usual 4-week time limit for absence outside of Great Britain? 		
<p>5. Have you confirmed that the in-year reconciliation cells for rent rebates and rent allowances agree with the corresponding total expenditure cell?</p>		
<p>6. Have you confirmed that uncashed cheques and other expired instruments of payment result in the necessary adjustments to subsidy?</p>		
<p>7A. Have you assessed whether the relevant exemption criteria from the DRI deduction has been met (where the authority has claimed exemption)? Or</p>		
<p>7B Where the authority does not have exemption from the DRI deduction, have you confirmed that:</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 2019/20 subsidy claim form • cells 182 to 190s have been properly completed? 		

Testing procedures	Yes/No/N/A Initials/date	W/P ref
<p>8. Have you confirmed that expenditure on modified schemes has been:</p> <ul style="list-style-type: none"> • properly identified in cells 214 and 225 • excluded from other cells on the form? • have you selected an initial sample of 20 modified scheme cases from cell 214 and tested to evaluate whether the local scheme has been applied correctly as set out in the HBAP module 3 workbooks, specifically that: <ul style="list-style-type: none"> – the local discretionary scheme has been agreed by full council? – the prime documents demonstrate that the claimant receives a war pension(s)? – statutory disregards have been correctly applied? • the increased benefit paid as a result of the local scheme has been separately identified and excluded from other cells on the claim form? 		
<p>9. Have you confirmed that administration subsidy in cell 005 agrees to:</p> <ul style="list-style-type: none"> • the DWP's 17 March 2021 letter • the authority's financial statements? 		
<p>10. Have you confirmed that interim benefit subsidy in cell 008 agrees to:</p> <ul style="list-style-type: none"> • the DWP's 17 March 2021 letter • the authority's financial statements? 		

Evaluation procedure	Yes/No/N/A 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 • conducted additional testing where errors affect the amount of subsidy or relate to overpayments • agreed amendments to the claim form with the local authority.? 		

Completion procedures	Yes/No/N/A	Initials/date	W/P ref
1. Have you included details of any qualifications to your conclusion, observations and amendments in a covering letter?			
2. Have you included a summary in relation to the application of payment on account procedures to Trust and Protect cases in the covering letter to the DWP?			
3. Have you made it clear in the letter to the DWP those errors/ observations that have been raised as a result of the operation of <ul style="list-style-type: none"> • the SEISS scheme or • job retention schemes? 			
4. Have you sent a certified copy of the claim form and the covering letter to the DWP by 30 November 2021 (or as soon as practicable) and: <ul style="list-style-type: none"> • emailed outputs (firms) • added them to the relevant local authority's 'outputs' library in Sharepoint (ASG) ? 			

Post-certification procedures	Yes/No/N/A	Initials/date	W/P ref
1. Have you completed appropriately any requests for further work including the level of reperformance of work carried out by the local authority ?			

Appendix 2

Rules for completing claim

The following represent key sources of guidance in respect of the year end statement 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 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](#)
- [The Release of Prisoners \(Coronavirus\)\(Scotland\) Regulations 2020](#)
- Notes for guidance on completion of form MPF720B 2020/21
- DWP 17 March 2021 letter Housing benefit 2020/21 final subsidy claim (MPF720B) which enclosed the 2020/21 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**
 - [S1/2020: 2020-21 Housing Benefit administration subsidy arrangements for English, Scottish and Welsh local authorities](#)
 - [S4/2020 New Burdens funding to meet the costs for the administration of the Severe Disability Premium changes in 2019-20](#)
 - [S5/2020 Additional New Burdens funding to meet the costs of implementing Welfare Reform changes 2020-21](#)
 - [S6/2020 Verify Earnings and Pensions Alerts service 2020-21 payments](#)
 - [S7/2020 Additional New Burden funding to meet the costs of implementing Local Housing Allowance changes 2020-21](#)
 - [S8/2020 Housing Benefit Award Accuracy Initiative funding for English, Scottish and Welsh local authorities 2020 to 2021](#)

- [S9/2020: New Burdens funding to meet the final costs for the administration of the Housing Benefit \(Severe Disability Premium\) gateway change in 2020 to 21](#)
- **Adjudication and operations circulars**
 - [A1/2020: Housing Benefit: Uprating 2020/21 \(4th revision\)](#)
 - [A2/2020: War Pensions: Uprating 2020 to 2021](#)
 - [A3/2020: Changes to the Severe Disability Premium process](#)
 - [A4/2020: Housing Benefit operational information, performance support and engagement 2020-21](#)
 - [A6/2020: State Pension Adult Dependency Increase ending](#)
 - [A7/2020: The Social Security \(Coronavirus\) \(Further Measures\) Regulations 2020](#)
 - [A10/2020: Pre-1996 cases: Rent Officer referrals](#)
 - [A11/2020: Changes to Housing Benefit for claimants in receipt of Severe Disability Premium](#)
- **Urgent bulletins**
 - [HB Bulletin U1/2020: RR –v– The Secretary of State for Work and Pensions](#)

Appendix 3

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

Summary of Initial Testing

Cross cutting qualification issues [Examples]

Local authority's certificate

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

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

Data conversion and missing audit trails

During 2020/21 the Authority changed housing benefit systems from the XXXXX system to the YYYYY system. This process involved the transfer and conversion of subsidy data from the old system to the new. Although change control was implemented by the authority there has been no testing by Internal Audit or officers of the local authority to provide assurance that data conversion was successfully achieved and that exception reports generated have been cleared correctly. The housing benefits section has not undertaken any sample checks on the claim data prior to the completion of the claim. My testing has identified some data conversion errors and missing audit trails.

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

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

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 headline cells

In accordance with HBAP Module 3 an initial sample of cases was completed for all general 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 1 claim had a non-dependant deduction incorrectly applied. As it was not possible to correctly establish the error for amendment, additional testing of 40 cases was completed for the error. This is detailed in Appendix A.

Cell 011 Rent Rebate -self-employed income

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. This is detailed in Appendix C as the authority has amended the claim in respect of these incorrect claims.

Cell 094-Rent allowances- failure to apply the Risk Based Verification (RBV) policy

Initial testing of cell 094 identified 2 cases where the local authority failed to apply its RBV policy and 2 cases where the local authority did not verify eligible rent in accordance with the RBV policy. As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed for the error. This is detailed in Appendix A.

Completion of Modules

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

Module 2- benefit system parameters

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

Module 5- Benefit software: 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 011

Rent Allowances - misclassification of expenditure as backdating expenditure within Cell 131

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 council'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 011

Rent Allowances - misclassification of expenditure as backdating expenditure within Cell 131

Summary of COVID-19 related matters

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

- Trust and Protect,
- Payment on account
- SEISS
- Job retention schemes

Appendix A- Errors identified

Cell 011 Overpaid benefit – non-dependant deduction error

Cell 011 Rent rebates

Cell Total: £2,774,426

Cell Total £800,526– sub population

Cell Population: 841 cases

Cell Population: 150 cases – sub population

Initial Testing showed 1 claim (value: £5,032) had a non-dependant deduction incorrectly applied that resulted in an underpayment of £36.60. 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 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		
Additional testing sample – 40 cases 1 error	Incorrect Non Dep deduction Calculation – Cell 011	£800,526	£183	£201,260		
Combined sample - 60 cases	Incorrect Non Dep deduction Calculation – Cell 011	£800,526	£183	£206,292	0.09%	£720
Adjustment:	Combined sample - Cell 014 is overstated	£800,526	£183	£206,292	0.09%	(£720)
Corresponding adjustment	Combined sample - Cell 026 is understated					£720

Cell 094- Overpaid benefit-failure to apply the RBV policy

Cell total £899,540

Cell population 1,001

Testing of the initial sample identified;

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

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

Errors ranged in value from £54.00 to £1200.00

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 :	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample of 20- 4 errors	Failure to apply the RBV policy and failure to verify eligible rent to the required standard	£899,540	£2,504	£11,182			
Additional sample - 40 cases 3 errors	Failure to provide evidence that eligible rent was verified in accordance with the RBV policy	£899,540	£1,254	£27,204			
Combined sample 60 cases	Failure to apply the RBV policy	£899,540	£3,758	£38,386	9.8%	£88,155	
Adjustment:	Combined sample. Cell 103 overstated.	£899,540	(£3,601)	£38,386	(9.4%)	(£84,557)	
Adjustment:	Combined sample. Cell 114 overstated.	£899,540	(£157)	£38,386	(0.4%)	(£3,598)	
Total corresponding adjustment	Total understatement of cell 113.					£88,155	

Cell 094 Overpaid benefit – earned income calculation error

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 2018/19 and 2019/20 it was identified that the local authority has 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 claimants 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 claimants 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.

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

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 6 cases	Incorrect Income Calculation	£97,642,719	£0	£21,433		
CAKE sample – 40 cases- 4 errors	Incorrect Income Calculation	£28,190,982	£1,477	£269,191		

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
Combined sample - 46 cases	Incorrect Income Calculation	£28,190,982	£1,477	£290,624	0.51%	£143,774
Corresponding adjustment:	Cell 102 is overstated	£28,190,982	£721	£290,624	0.25%	-£70,477
Corresponding adjustment:	Cell 103 is overstated	£28,190,982	£756	£290,624	0.26%	-£73,297
Total corresponding adjustment	Total understatement of Cell 113					£143,774

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 2019/20 claim and reported in the qualification letter 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 2020/21 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.

Additional Testing

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 £380.00

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 adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 6 cases	Combined results for initial sample.	£1,459,422	£0	£5,621			
Additional sample - 40 cases 3 errors	Cell 114 overstated. Cell 113 understated	£1,459,422	£534	£68,676			
Combined sample 46 cases	Combined sample. Cell 114	£1,459,422	£534	£74,297	0.72%	£10,508	£1,448,914
Adjustment	Cell 114- eligible overpayme nts error is overstated.					-£10,508	
Total correspondi ng adjustment	Total understate ment of Cell 113					£10,508	

Appendix B

Observations

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

Example 1: Error Type 1

Error Type 1 – underpaid benefit which would always result in an underpayment.

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 – underpaid benefit which could also result in an overpayment.

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.

Error type 3 overpaid benefit or insufficient information found during additional testing and therefore part of CAKE for following year

Cell 094 Overpaid benefit – Earned Income calculation error additional issue

As a result of the additional testing of 40 claims on Cell 94- earned income, it was discovered that an overpayment had been classified as an eligible error (Cell 114) when it should have been classified as a local authority error and administrative delay overpayment (Cell 113). Cell 114 is over stated by £33.00 and Cell 113 is understated by the same amount.

Error Type 4- Misclassification between cells

Cells 011 and 023 & Cells 094 and 102: Rent Rebates & Rent Allowances

Cell Total £2,029,034

Cell Population 43,659

Headline Cell £2,029,034

Testing of the initial sample identified 1 case where the benefit type for a particular housing association provider had been miscoded by the authority; as a result, expenditure that should

have been shown in the rent allowance cells 094 and 102 appears in the rent rebate cells 011 and 023. As the eligible rents and benefit entitlement have been correctly calculated as rent allowance cases, and the detail cells involved attract the same subsidy values, no additional 40+ testing has been undertaken.

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

Appendix C Amendments to the claim form MPF720B

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

Error Type 4 – expenditure misclassification. Where benefit expenditure has been misclassified

Cell 95 Regulated Tenancies

Initial testing found claims in Cell 95 classified as Regulated claims that, on the analysis of the tenancy agreements, are RSL tenancies. The authority tested all claims in Cell 95 and confirmed that the Cell 95 is overstated by £41,000 and Cell 102 is understated by the same amount.

The number of cases in Cell 95 - 1487. We re-performed the test on 60 cases. No errors were found.

This is reflected in the amendment made to Form MPF720B dated XX.

Error Type 3- benefit overpaid or insufficient supporting information.

Cell 011 Rent rebate Self-employed earnings incorrectly calculated

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 local 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 plus all cases found to contain errors and the authority's findings on those claims were correct.

Cells 14 and 28 have been amended on form MPF720B dated XX . 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 the format to be used when reporting the results of post-certification procedures

[Name of Local Authority] Housing Benefit Subsidy claim [financial year] Further work.

I am writing to you in connection with the above.

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

On the basis of your letter to the [x] Council dated [x] we were asked to perform the [xxxx] procedures as detailed in the [DWP letter]

We confirm we carried out those procedures [with the following exceptions]

The results of our procedures are set out in the following section.

Findings

[x] Council 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- If a population is defined then confirmation is required that the sample contains the appropriate claims.

If a sample was taken from the population confirmation that the auditor chose the sample.

Confirmation is required that the local authority provided the results in the prescribed manner.

Confirmation is required that the auditor completed the re-performance work and provide details of the testing results.

If the work was not completed in the correct manner or errors were found when the re-performance testing was completed, then a statement is required confirming that the local authority did not complete the work in the prescribed manner.]

Appendix 5

The impact of COVID-19 on HB administration

As a result of the COVID-19 pandemic and the associated restrictions introduced from March 2020, several changes to HB administration were introduced by the DWP. The DWP also provided clarification on certain other aspects of HB administration.

Section 1 below covers changes to housing benefit administration and section 2 provides clarification on the treatment of new types of income being 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-housing benefit processes

Evidence requirements-Trust and Protect

The DWP changed verification requirements for HB claimant information during the COVID-19 restrictions. This is referred to as 'Trust and Protect' and applies from 30th March 2020.

Where it is not possible to verify prime documents, councils are to defer the verification of the prime documents that would be normally required from claimants to process new claims and change of circumstances. When verifying evidence by telephone, councils were advised to trust information being provided by the claimant.

There is an expectation that councils will have annotated any claims where Trust and Protect has been applied, and recorded the evidence used to calculate HB awards. Councils are expected to re-visit these claims once the Trust and Protect easement is lifted. Subsidy regulations regarding eligible overpayments, including fraud, claimant error and other remain unchanged if the Trust and Protect approach is adopted.

The application of Trust & Protect relates to both standard verification procedures and RBV where the RBV policy ordinarily requires prime documentation to be verified. Any case tested, and to which Trust and Protect has been applied, should be subjected to the full range of applicable tests as normal.

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 council. For example, a standalone case list, or diary note to revisit the case for verification at a later date would be acceptable evidence that the case has been processed using Trust and Protect. If the case has not been recorded as Trust and Protect, then the normal standards of verification should be applied to the case and any missing evidence should be recorded as an error as normal.

Where the HB calculation is correct based on the Trust and Protect information (even where evidence has been obtained at a later date to show the Trust and Protect information was incorrect), the case should be marked as correct. If the HB award has been incorrectly calculated based on the information provided / recorded for the case, then the over or underpayment should be calculated as normal and classified as an error using the appropriate error type.

Following the calculation of HB awards using information from claimants provided under Trust and Protect, further evidence may have become available to enable councils to review Trust and Protect cases. Where a case being tested has been re-calculated using evidence provided by claimants, DWP or HMRC, audit testing should be conducted as normal. Auditors should check both the accuracy of the HB award and that sufficient evidence is available to support the award. Where overpayments have been identified and calculated based on further additional evidence, the calculation and category of overpayment should be tested as normal.

Payment on account

For rent allowance cases, councils were asked by the DWP to consider the application of payment on account, where relevant, to Trust and Protect cases. The HB Regulations state that *“Where it is impracticable for the council to make a decision on a claim for a rent allowance within 14 days of the claim having been made and that impracticability does not arise out of the failure of the claimant, without good cause, to furnish such information, the council shall make a payment on account of any entitlement to a rent allowance of such amount as it considers reasonable having regard to—*

(a) such information which may at the time be available to it concerning the claimant’s circumstances; and

(b) any relevant determination made by a rent officer”.

The COVID restrictions mean that it is reasonable for claimants to be considered unable to provide supporting evidence.

Where auditors identify a case where payment on account has not been considered or applied, this should be drawn to the attention of the council. As there is no impact on subsidy before any potential overpayment calculation, there is no requirement to mark the case as an error. The auditor should include a summary of any findings in relation to the application of payment on account procedures to Trust and Protect cases in their covering letter to the DWP.

In relation to rent allowance cases the following should be taken into consideration when testing the calculation and classification of overpayments:

- Where overpayments have been classified as payment on account, auditors should determine if the split between recovered and unrecovered overpayments is supported and correct. For payment on account overpayments, different rates of subsidy are applied dependent on whether recovery has taken place or not.
- Where the council has not used payment on account procedures resulting in subsequent overpayments being classified as ‘eligible overpayments’ there is a subsidy impact. Auditors should record the incorrect application of payment on account procedures as Error Type 4 and should report the cell adjustments. For example;

A council has calculated the HB award based on Trust and Protect evidence but has not treated as a payment on account where it would have been appropriate to do so. Evidence is subsequently obtained that results in an overpayment being calculated and classified as eligible overpayment (due to claimant error or fraud).

The overpayment has been calculated at £1,000 of which the council has recovered £250. The subsidy claim has the following entries;

- Cell 121- eligible overpayments, contains £1,000 of expenditure at 40% subsidy rate.

If the payment on account procedures had been correctly applied, the subsidy claim should be as follows;

- Cell 121-eligible overpayment, no expenditure
- Cell 123- recovered overpayments resulting from the use of payments on account, contains £250 at 0% subsidy rate
- Cell 124- overpayments resulting from the use of payments on account which have not been recovered, contains £750 expenditure at 100% subsidy rate

The subsidy impact would be that the council is under claiming subsidy in this case (£400 instead of £750).

The reverse of the above example may also be the case where overpayments are incorrectly classified as payment on account overpayments.

The DWP have agreed that the cell adjustments in the above example would not add to local authority error in cells 201 to 208S, except in cases where the overpayment calculation or HB calculations are themselves incorrect and would result in an overpayment due to a mistake by the council. Auditors should report any errors in their letter to the DWP.

Changes in circumstances for existing HB claimants

For existing claimants who have a change in circumstances that would result in an HB award continuing and increasing, the normal late change rules continue to apply. These rules mean that where the claimant has good cause for reporting the beneficial change late (including provision of evidence), it enables the council to apply the change from the effective date, so long as notification of the change is:

- received by the council within 13 months of the date on which the change occurred
- the claimant explains the reasons for the late reporting and the council are satisfied there were 'special circumstances', and
- it is reasonable to allow the claimant's late notification of the change.

National Insurance number verification

Councils need to verify claimants' identities and national insurance numbers. Identities can be verified via existing digital evidence or via the DWP Searchlight system where verification has been undertaken by DWP.

Councils should also follow the Biographical Test process to establish identity in readiness for requesting and allocating national insurance numbers where one doesn't exist.

The DWP advised councils that where HB is the only benefit in payment councils can verify claimant identity through information held locally, questions asked during the claim process and, where possible and practical to do so, through the sharing of information by electronic means.

Increased Local Housing Allowance (LHA) rates

LHA rates are used to calculate HB for tenants renting from private landlords. LHA rates were increased during the pandemic to the 30th percentile (subject to the maximum caps). The new rates were effective from 1 April 2020.

The maximum weekly LHA rate remains unchanged with the upper cap at £500 or £375 according to where the property is located.

If application errors such as transposition or misclassification are identified during initial testing, these errors should be classified in accordance with current guidance. Additional testing should be considered where appropriate, considering the appropriate population/sub population as appropriate. Errors identified in applying appropriate LHA rates should be considered for CAKE testing in 2021/22 in line with usual procedures.

HB Reinstatement cases

The DWP has advised that a small number of fraudulent claims for universal credit, the new style jobseeker's allowance and employment and support allowance have been made using details of claimants in receipt of legacy benefits, including 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 councils 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 councils 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 the appropriate HB overpayment calculated in line with usual procedures. Additional testing should be determined and carried out including the use of appropriate sub-populations and consideration of small population testing.

The number of cases within a population containing this error is expected to be low and should therefore be subject to the small population guidance and treated accordingly, however if no sub-

population can be identified, or in councils where reinstated cases may exceed 100, the auditor is asked to report by exception. 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.

Temporary accommodation and homelessness initiatives

During the COVID-19 pandemic, various schemes were introduced to accommodate homeless people/rough sleepers, in hotel accommodation as temporary accommodation. Eligibility to HB remains unchanged for those in temporary accommodation, as do the provisions and criteria for determining what constitutes 'temporary accommodation' for HB purposes.

In relation to testing HB claims in relation to the COVID-19 homeless prevention schemes, auditors are required to check the following are in place:

- places in hotels and bed and breakfasts were allocated to people on the basis of homelessness prevention
- clients are receiving the equivalent care and support (or more) as they would in a usual hostel setting. In some cases, the hotels and provision of care and support to the clients may have been managed on a day-to-day basis by voluntary/third-sector organisations
- councils/commissioned providers have taken over the hotels (or sections of them) rather than booking individual rooms, and are responsible for providing the support to the client
- facilities are not self-contained (in other words, there are no kitchens) and clients are provided with meals
- the council funds the hotel as a block booking, creating a license with the claimant, so there is no commercial relationship between hotel and claimant.

The DWP have advised that where the circumstances above apply, the re-purposed hotels and bed and breakfasts used for homeless people will satisfy the definition of 'hostel'. This means that provided the claimant is over 25 and satisfies the other conditions of the exemption they will be entitled to a one-bedroom LHA rate rather than the shared accommodation rate for HB purposes.

The current LHA rules in HB remain unchanged and restrict the level of help for single people aged under 35 who live on their own to the shared accommodation rate. This reflects the rent levels of properties with sole use of a bedroom and shared use of at least a living room, kitchen or bathroom.

The following exemptions continue to apply to the shared accommodation rate:

- those in receipt of the Severe Disability Premium
- those who have an extra bedroom for a non-resident carer providing overnight care
- care leavers up to the age of 22
- those aged 25-34 who have spent at least three months – which do not need to have been continuous – in a homeless hostel/hostels specialising in rehabilitating and resettling within the community
- ex-offenders aged 25-34 who present a risk of serious harm to the public and are subject to active multi-agency risk management to be rehabilitated back into the community.

Subsequent or 'move-on' accommodation provided to claimants housed under the COVID-19 homeless prevention schemes is also covered by the shared accommodation rates homeless exemption under the LHA rules for people aged under 35.

The DWP has clarified the following in respect to daily rents and temporary accommodation:

- Daily rents-There is no time limit on when a claim is made and HB is always awarded back to when the claimant first moved into the accommodation with the first day of entitlement commencing on the moved-in date for residents who pay their rent on a daily basis and live in:
 - a hostel; or

- any other accommodation in which they have been placed as a homeless person and which is board and lodging accommodation, accommodation licensed to the council or short-term leased accommodation outside of the authority's housing revenue account.
- Accommodation meets the definition to be treated as temporary accommodation for the purposes of HB as long as the temporary accommodation has been secured for the homeless person under the following functions:
 - to discharge any of the authority's functions under Part II of the Housing (Scotland) Act 1987
 - to prevent the claimant being or becoming homeless within the meaning of Part II of the Housing (Scotland) Act 1987.

There has been no change to HB Regulations for temporary accommodation.

Auditors should check that the council has documented the decision to classify particular accommodation provided as a hostel and that the correct LHA rates and exemptions have been applied.

Auditors should test cases for temporary accommodation whilst having regard to easements provided by the Trust and Protect principles. There may be cases where homeless people, specifically those previously sleeping on the streets, claimed HB and the council made use of the Trust and Protect principles in determining the HB award, where subsequently the claimant has vacated the temporary accommodation and cannot be traced by the council. In these circumstances DWP have advised that it would be unreasonable for the case to be marked as an error solely due to the council's inability to verify evidence at a later date.

Therefore, auditors should check that the HB award was correctly calculated on the evidence provided by the claimant, and that the claim has been closed correctly.

Temporary Absence of HB claimants – inside and outside of Great Britain Due to international travel restrictions, large numbers of people were stranded abroad during 2020/21. This included HB claimants who had left the country and expected to return within 4 weeks and would therefore remain entitled to HB.

Where the reason for an extended absence is reported as being a consequence of the COVID-19 restrictions, the DWP has been permitted to continue the payment of HB on an extra-statutory basis. The HB Regulations have not been amended to reflect the change, and therefore the usual rules on sub-letting and intention to return continue to apply.

This also means that the circumstances under which an absence of greater than 4 weeks is permitted (for example up to 26 weeks for medical treatment) are also unchanged. The extra-statutory provisions also cover absences exceeding those extended periods included in the HB legislation.

The DWP asked councils to annotate any such cases where payment of HB continued due to claimants notifying of an extended absence due to COVID-19 restrictions.

When testing any such cases, auditors should check that the case has been recorded as continuing in payment for these reasons.

Where it is identified that a case where payment has continued beyond 4 weeks and the above condition is not satisfied, a check must be made as to whether any of the statutory extensions apply (for example receiving medical care). In cases where this does not apply, the auditor should consider whether the case should be reported as an error. Any overpayment should be calculated, and an extrapolation table or corresponding cell adjustments should be included in the auditor's letter to the DWP.

For absences **within** Great Britain, a claimant is usually permitted to be absent for a period up to 13 weeks, providing there is an intention to return and that the home is not sub-let. This period can be extended up to 52 weeks where the claimant is absent due to a person undertaking or receiving medically approved care.

HB claimants self-isolating or caring for others fall into the definitions to which the 52-week extended absence would apply and therefore no changes to HB regulations were required to deal specifically with COVID-19.

In testing cases where there has been a temporary absence whether within or outside Great Britain, auditors should continue to assess the case in line with existing HB regulations for all circumstances other than where the length of absence has been extended due to COVID-19.

Risk Based Verification

The DWP issued advice on Risk Based Verification (RBV) policies during the COVID-19 pandemic which is relevant to both the application of Trust and Protect, and to the administration and review of RBV policies.

The advice provided to councils was;

- that there is no requirement to conduct an annual review of RBV policies for the 2020/21 subsidy year
- RBV policies should continue to apply un-amended. Where the RBV policy indicates that verification of prime documents is required, the Trust and Protect principles should be applied
- councils should not need to amend the RBV policy to deal with COVID-19 restrictions
- if the RBV policy has been updated during the year, the normal approvals and controls should be applied.

Auditors should follow the normal procedures relating to the application of RBV policies during testing. Where the council has not carried out a review of the RBV policy during 2020/21, cases should be assessed as normal and not classified as an error solely based on the RBV policy not having been reviewed.

Some council's may have made additions to their RBV policy to clarify its operation during the COVID-19 pandemic. Auditors should consider any such addition and determine whether the change or addition has significantly changed the policy. Where an auditor determines that a significant change has been made, they should check that the normal relevant approvals have been obtained for the amendments. Any failure to approve an amended or new RBV policy should be reported as an error in the auditor's letter to the DWP.

For example, an addendum to the RBV policy to include guidance on the operation of the policy in relation to Trust and Protect would not constitute a significant change requiring approval. If the RBV policy has been updated to change the risk profiles, or the levels of verification required for a particular risk profile, this would constitute a significant change and must have received the appropriate governance and approvals.

The Release of Prisoners (Coronavirus) (Scotland) Regulations 2020

[The Release of Prisoners \(Coronavirus\)\(Scotland\) Regulations 2020 \(SSI 2020/138\)](#) made provision for a limited number of short-term sentenced prisoners to be considered for release on or after 4 May 2020.

HB regulations have not been amended and subject to meeting the usual conditions of entitlement for claiming HB, people released under the scheme are able to claim HB as soon as they are released. However, it is expected that the majority of working age people released will be claiming universal credit rather than HB.

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

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

This section looks at these assistance schemes and how they should be treated for HB purposes.

Business Grants

The Scottish Government has announced the introduction of [multiple support funds](#) for businesses and individuals affected by COVID-19 restrictions. More details on the various 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. 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.

Where the payment is intended to replace income from earnings then it is treated as earnings and taken into account as income eg any payment made to an individual under the Coronavirus Job Retention Scheme (see below) will continue to be treated as earnings.

For HB claimants of working age, the capital disregard for businesses applies indefinitely as long as the business is still trading but for only 52 weeks once the business closes. For those of pension age, the disregard applies indefinitely if the business is still trading and for as long as considered reasonable where the business closes allowing them time to dispose of any assets.

When testing cases that include self-employed calculations auditors should have reference to any payments made by the various grant schemes to ensure that these payments have not been factored into trading profit calculations for HB purposes.

If payments received through the grants have not been disregarded as income and have been included within the calculations for HB purposes, this will result in an underpayment of HB subsidy and should be reported as Error type 1. Failure to disregard such grant payments as income will always result in an underpayment of benefit therefore additional testing in these cases is not required.

The DWP also consider that CAKE testing in 2021/22 HBAP will not be necessary in these circumstances, however further guidance on CAKE testing for 2021/22 will be provided in the Technical Guidance Note for 2021/22.

Any cases where benefit has been underpaid should be included in the HBAP report in the observations section.

Income from the Self Employment Income Support Scheme (SEISS)

The DWP has issued advice on the treatment of income received through the Self-Employed Income Support Scheme (SEISS). The scheme supports workers who are self-employed or a member of a partnership who have lost income due to COVID-19. There have been various revisions to the initial policy.

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. Self-employed earnings should be recalculated using ongoing self-employed income based on the latest statement of income and expenditure, which should also include any SEISS payments received. If the claimant incurs eligible business expenses, even whilst not actually working, these should be taken into account in any assessment and deducted from the total income.

The self-employed accounts including the SEISS payment should be applied to an HB claim from the Monday after the payment has been received, or from the Monday following the date that the accounts are provided, depending on how each council applies the change to self-employment.

For example;

A claim is assessed based on 2018/19 trading figures up to 1st March 2020. Self-employed revenue significantly drops from 1st March 2020, so is reassessed on 28th March 2020 based on self-employed profit and loss for the period 1st March 2020 to 28th March 2020 showing nil profit from self-employment. On 4th June 2020, payment of SEISS is received from HM Revenue and Customs. The claimant declares this and the expected profit and loss. Self-employed income is then reassessed from 8th June 2020 based on the expected profit and loss from 4th June 2020 to 5th April 2021.

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

Auditors are required to make an indicative distinction on their letter to the DWP between errors/ observations that have been solely raised as a result of the operation of the SEISS scheme, (for example the use of effective dates in relation to the SEISS grants), or whether the exception is in relation to an error that could equally be present in a self-employed calculation regardless of the source of income (for example allowable and non-allowable expenses, tax or other deductions).

Further guidance in respect of CAKE will be made available to auditors in the Technical Guidance Note for 2021/22.

Additional earnings disregard and Working Tax Credits (WTC) increases

As a result of COVID 19, the basic element of WTC was increased by £1,045 to £3,040 from 6 April 2020. The amount a claimant or household benefits from the uplift will depend on their circumstances. But the increase could mean up to an extra £20 each week. The increase came into effect on the 6 April, but individual payment dates vary depending on circumstances. In the assessment of HB, income received from WTC is treated as eligible income and the amount of the HB award is adjusted accordingly.

To ensure that the WTC basic element increase benefits those WTC claimants who are also in receipt of HB, the additional earnings disregard in the HB Regulations was increased from £17.10 to £37.10 per week in respect to the same period. The change applies to all those in receipt of the additional earnings disregard and came into force on 6 April 2020.

HM Revenue and Customs (HMRC) increased the basic element of WTC to claims in batches over a 35-day period from 9 April 2020 which resulted in the increase from 6 April 2020 being paid as arrears. Arrears payments of tax credits including WTC are treated as capital and can be disregarded for 52 weeks. This means that in cases where HB claims do not see the increased rate of the additional earnings disregard and increased rate to the basic element of WTC applied to individual claims within the same benefit week, overpayments are not created.

Entitlement to the additional earnings disregard is based upon the claimant being in receipt of WTC 30-hour element or meeting the remunerative work test and criteria which mirrors WTC entitlement. To support existing WTC claimants and protect their WTC entitlement, the DWP confirmed that claimants who have been furloughed or whose hours have been reduced temporarily will continue to be entitled to WTC for an initial 8 weeks, at which point their entitlement would be reviewed. This means that they would also continue to be entitled to the additional earnings disregard in HB for the same period.

Where auditors identify errors that have resulted in the incorrect calculation, transposition or application of either the WTC uplift or the additional earnings disregard then these should be reported, and additional testing will be required as normal.

Further guidance on CAKE testing for 2021/22 will be provided in the Technical Guidance Note for the 2021/22 subsidy claims.

Job Retention Scheme/ Job Support Scheme (furlough)

On 20 March 2020, the Chancellor announced the Coronavirus Job Retention Scheme (CJRS) also known as the 'furlough scheme' which provided support for employers enabling them to furlough their employees and to continue to pay part of their salaries. This initial scheme has been subject to revisions but the treatment for HB remains the same.

Earnings top ups can be made by employers on a discretionary basis which are treated in the same manner as earned income. It is anticipated that employer expenses incurred supporting the scheme will be included in the trading period accounts.

No changes to HB regulations are required as the furlough scheme enables employers to continue to make payments to their employees of taxable earned income, which continue to be treated as earned income in HB. This continues to be based on the number of hours the employee normally works, which enables the additional earnings disregard in HB to remain applicable.

HB claimants or claimants' partners who have been furloughed, are self-isolating or shielding should be treated as being on 'holiday' and therefore can be treated as being "in remunerative work" for the purposes of the additional earnings disregard in HB.

If the claimant is in receipt of statutory sick pay due to an illness, including COVID-19 related illness, the additional earnings disregard will cease to apply unless they are receiving the 30-hour element of working tax credit. If a claimant is on statutory sick pay or furloughed and holiday pay is received, this should be taken into account as earnings in any assessment, alongside any statutory sick pay or furlough payment received.

If a claimant returns to work on reduced hours, councils will need to confirm if this is a permanent change and assess if the claimant's new circumstances affect their additional earnings disregard eligibility.

Errors identified within testing should continue to be classified as normal, however auditors should give consideration to isolating sub populations for extrapolation purposes if appropriate.

CAKE testing arising as a result of errors and observations identified in the earned income calculation will be rolled forward in accordance with current certification guidance.

In order to assist in the CAKE testing requirement for 2021/22, the DWP requires auditors to make an indicative distinction in the letter to the DWP between exceptions or observations that have been solely raised as a result of the operation of the job retention/support schemes, (for example the use of effective dates in relation to the application of the schemes), or whether the exception is in relation to calculation of income, which could equally be present in an earned income calculation regardless of the source.

Further guidance in respect of CAKE will be made available to auditors in the Technical Guidance Note for 2021/22.

NHS Test and Trace self-isolation payment

As part of the ongoing pandemic assistance measures in Scotland, individuals who have been 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 are paid as part of the Scottish Welfare Fund.

This payment meets the definition for 'Local Welfare Provision' in HB regulations for working age claimants, so can be disregarded for HB income calculation purposes. As the payments are not listed as income to be taken into account, they can also be disregarded for pension age HB customers.

If grant payments have not been disregarded as income and have been included within the calculations for HB purposes, this will result in an underpayment of HB subsidy and should be reported as Error type 1. Therefore, additional testing in these cases is not required. Any cases where benefit has been underpaid should be included in the observations section of the auditor's letter to the DWP as usual.

The DWP consider that CAKE testing in 2021/22 HBAP will not be necessary in these circumstances, however further guidance on CAKE testing for 2021/22 will be provided in the Technical Guidance Note for the 2021/22 subsidy claims.

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 will ensure that social care workers receive their expected income in these circumstances. The maximum payment from the fund will top up claimants' earnings to their normal level, and, as such, should not impact on their HB claim.

Any payment received from the Scottish Social Care Staff Support Fund should be treated as earnings for HB purposes and will be paid directly by the employer.

There may be occasions whereby the claimants' earnings reduce in one month, but then the payment from the Scottish Social Care Staff Support Fund is received in the following month, thereby increasing their income for that month. The DWP have suggested that councils follow their current procedure for averaging earnings to take this into account.

Scottish payments for health and social Care workers

A one-off 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. The pro-rated payment of £500 was paid to all NHS and social care workers employed since 17 March 2020. Qualifying workers require to have been employed for a minimum of one month's continuous service between 17 March and 30 November 2020.

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.

HB claimants' earnings may increase significantly in the month the payment is received. NHS Scotland employees were given the option to take the payment in instalments over three months. Social care

employers may also offer this option. The DWP have suggested that councils follow their current procedure for averaging earnings to take this into account.

COVID winter hardship payment

The COVID winter hardship payment awards £100 for each child who gets free school meals because of low household income. It was paid in December 2020.

This payment meets the definition for 'Local Welfare Provision' in HB regulations for working age claimants and can be disregarded for HB income calculation purposes. As the payments are not listed as income to be taken into account, they can also be disregarded for pension age HB customers.

Any payments received to recompense parents for missed free school meals are treated the same way and disregarded for HB income calculations.

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/21

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