

Technical Guidance Note

TGN/HBS/23

Auditor Certification of 2022/23 Housing Benefit Subsidy Claims



 AUDIT SCOTLAND

Prepared for appointed auditors in the local government sector

4 May 2023

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Claim overview

Description of scheme		
A scheme by which local authorities claim funding from the Department for Work and Pensions (DWP) towards the cost of paying housing benefit in their local areas.		
Claim reference	Deadline to auditors	Auditor submission deadline
MPF720B	30 April 2023	31 January 2024
Risk areas		
<ol style="list-style-type: none"> 1. Benefit granted in the claim form does not agree to final subsidy reports. 2. Benefit granted in the subsidy system does not reconcile to subsidy paid in the subsidy system. 3. The benefits system is using incorrect benefit parameters to calculate benefit. 4. The in-year reconciliation cells do not agree with the corresponding total expenditure cell. 5. Uncashed cheques do not result in the necessary adjustments to subsidy. 6. The criteria for the disproportionate rent increase exemption are not met. 7. Administration subsidy is not properly stated. 8. Interim benefit subsidy is not properly stated. 		
Address for certified claim		
Lawelfare.lapaymentsandsubsidy@dwp.gov.uk		
TGN publication date and relevant year	Email for consulting with Professional Support	
? 2023 for 2022/23 claims	TechnicalQueries@audit-scotland.gov.uk	

Introduction

Purpose

1. The purpose of this Technical Guidance Note (TGN) from Audit Scotland's Professional Support is to provide external auditors appointed by the Accounts Commission with guidance on the certification of 2022/23 housing benefit (HB) subsidy claims.
2. Appointed auditors are required by the [Code of Audit Practice](#) to examine, as part of their audit appointment, approved grant claims and other financial returns submitted to grant-paying bodies by local authorities and provide reasonable assurance as to whether they are fairly stated and in accordance with specified terms and conditions. One of the approved claims that auditors are required to certify is in respect of the HB subsidy scheme.
3. The approach set out in this TGN should be used for HB certification in Scotland for 2022/23. This approach differs significantly from the one used in the rest of the UK. This TGN:
 - provides guidance for auditors on the examination of the HB subsidy claim, including highlighting the main risk areas
 - sets out and explains an overview of the certification approach, the preliminary procedures (at section 1), testing procedures (at section 2), procedures for evaluating results and agreeing amendments (section 3) completion procedures (at section 4) and post-certification procedures (at section 5) that auditors should carry out (all summarised in the checklist at Appendix 1)
 - provides examples of reporting errors and observations in a letter to the DWP (covering letter) at Appendix 3
 - provides examples of reporting the results of any post-certification procedures at Appendix 4.
4. 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 claim certification.
5. Although this TGN provides a concise summary of the scheme, it may still be necessary for auditors to refer to the source material listed at Appendix 2 on which this guidance is based.

Changes to auditor approach to certification in 2022/23

6. Professional Support has negotiated with the DWP a rationalisation of the certification approach in 2022/23 which, in association with the changes introduced in 2021/22, should result in a significant reduction in auditor workload. The changes for 2022/23 are summarised in the following table:

Affected test	Nature of change	Comments
Testing procedure 4	Introduction of risk-based testing	Testing is now focussed on higher-risk cases, i.e. homeless cases, and those with income calculations and overpayments.
Evaluation procedure 1	Removal of cumulative assurance knowledge and experience (CAKE) testing	CAKE testing involved following up on issues reported in the previous year. This is no longer required.
Evaluation procedure 1	Introduction of a de-minimis level for testing	There is now a de-minimis level for triggering additional testing (previously known as 40+). Errors below the de minimis no longer require to be subject to additional testing unless there are a number or a certain value of errors with similar characteristics.
Evaluation procedure 1	Additional testing to be carried out by internal audit	Where additional testing is required, it is to be carried out by local authority internal audit teams rather than the benefit service or external audit.

Nature of scheme

7. The HB subsidy scheme is the means by which local authorities claim subsidy from the DWP towards the cost of paying HB in their local areas. Claimants obtain these benefits by application to each authority.

8. Benefit schemes of rent rebates for local authority tenants and rent allowances for private tenants are provided for by the Social Security Contributions and Benefits Act 1992 and the Social Security Administration Act 1992 (as amended).

Changes to benefit administration in 2022/23

9. Key changes to benefit administration introduced during 2022/23 are set out in the circulars listed at Appendix 2. In summary, changes include:

- the introduction of an exemption from the shared accommodation rate for victims of domestic abuse and modern slavery
- interim compensation payments made under the Infected Blood Interim Compensation Payment Scheme being disregarded as income and capital for HB purposes.

Funding arrangements

10. 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%.

11. 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.

Consulting with Professional Support

12. Auditors should consult with Professional Support by sending an email to TechnicalQueries@audit-scotland.gov.uk .

Auditor certification overview

This section provides an overview of the auditor certification arrangements for 2022/23.

Modular guidance

13. HB certification across the UK is set out in a number of modules, and those of relevance to the certification approach for auditors in Scotland are summarised in the following table:

Module	Content	Available
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
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)
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 2023 onwards (for each software supplier)

14. No other modules apply in Scotland. Instead guidance is provided on the required approach to testing at sections 2 and 3 of this TGN, and on reporting and post-certification testing at sections 4 and 5.

Testing methodology

15. A key element of the certification approach involves auditors selecting a sample of benefit cases and undertaking detailed testing using the workbooks. The focus of the testing is for auditors to evaluate whether benefit has been awarded in accordance with regulations, and whether subsidy has been properly claimed. The approach has the following stages:

- as a change for 2022/23, auditors should select an initial stratified sample of cases based on risk
- where initial testing identifies errors, auditors should critically evaluate the value, frequency and reasons to determine what action and further testing is necessary. Where testing identifies issues that can be resolved, auditors should agree amendments to the claim form to be made by the authority and report the amendments in their covering letter
- auditors should report all errors in the covering letter.

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

Access to information

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

18. The DWP requires all auditors conducting HB testing to have gone through Disclosure Scotland checks or Baseline Personnel Security Standards (BPSS) checks. Auditors should complete these checks and store the results centrally; they are not required to provide a copy of their certificate to local authorities.

Data protection

19. The nature of HB testing means that auditors are collecting, recording and transferring personal data relating to individuals' claims. This data falls under the scope of the Data Protection Act 2018 reflecting the UK General Data Protection Regulations introduced to strengthen data protection arrangements. Key considerations include the collection, storing, transfer and discarding of benefits data, which should all be undertaken using secure means.

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

- when recording data in the workbooks, auditors should record data as set out in the guidance to the workbooks. This ensures that the amount of personal data retained is minimised, and the data is kept in one specific area in the workbooks. Auditors should not record personal data in free text fields in the workbooks in a form that is identifiable to the individual
- workbooks should be stored securely and destroyed when no longer needed under the normal audit data retention processes. Auditors should ensure that any transfer of workbooks is secure.

Submission of claim to auditor

- 21.** The subsidy claim forms are provided in a pdf format, and the completed pdf form is submitted by local authorities to the DWP by email.
- 22.** Local authorities are required to submit a copy of the claim form, including a completed local authority certificate, to external auditors.
- 23.** The submission deadline for 2022/23 to both the DWP and auditors is 30 April 2023.

1. Preliminary procedures

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

Preliminary procedures

Preliminary procedure 1 - Completion of form

Auditors should evaluate whether:

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

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

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

26. The claim form is divided into sections as set out in the following table:

Headline cell	Content	Covered by auditor's certificate
011	Total expenditure on rent rebates Analysed in cells 012 to 015 and 022 to 028, prior years overpayments in cells 029 to 033, and backdated expenditure in cell 038	Yes
094	Total expenditure on rent allowances Analysed in cells 095 to 117, prior years overpayments in cells 118 to 124, and backdated expenditure in cell 131	Yes

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

27. The pdf version of the claim form completes all necessary calculations (and therefore can be relied on regarding the arithmetic accuracy of the claim form) and transfers of amounts between cells. Cells with a "S" suffix contain calculations or transferred amounts. Other cells are summarised in the following table:

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

Preliminary procedure 2 - Correct form

Auditors should evaluate whether the claim form includes an entry in every cell.

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

29. 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.

30. The DWP will perform checks upon receipt of the final claim to identify blank cells and may require re-submission, but it is possible that an authority may not provide an updated version to auditors. The claim form presented for certification should include an entry in every cell, including a zero entry in any cell that does not apply.

2. Testing procedures

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

Testing procedures

Test 1 - Benefit granted

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

31. 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 2022/23. 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.

32. 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.

33. 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.

34. Subsidy should not be claimed in 2022/23 for HB which is due for a period falling wholly within the financial year 2023/24, but which is issued in 2022/23 to ensure timely receipt; subsidy for those payments should be claimed in 2023/24. 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.

35. Entries in the cells which analyse the totals in the headline cells (rent rebates in cells 012 to 033 and 038 and rent allowances in cells 095 to 124 and 131) should be completed on the same basis as the headline cells, i.e. based on benefits granted and excluding the categories of expenditure that do not attract subsidy.

36. Auditors should evaluate whether, for each HB type, benefit granted in the claim form (total expenditure in the headline cells) agrees with the figure for benefit granted used in the software supplier's reconciliation of benefit granted to benefit paid per the benefit software. Auditors should report any differences in their covering letter (rounding differences do not require to be reported).

Test 2 - Reconciliation to benefit paid

Auditors should evaluate whether for rent rebates and rent allowances benefit granted in the subsidy system has been reconciled to benefit paid in the subsidy system in accordance with the software provider's instructions and as set out in the relevant software diagnostic tool.

37. Benefit granted will be more than the amount physically paid (in cash or by credit) in cases where deductions are made to recover overpayments or excess payments. Authorities should be able to reconcile benefit granted to benefit paid. Auditors should report any errors to the DWP in their covering letter.

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

Test 3 - Uprating of benefit systems

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

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

Test 4 - Initial testing

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

40. Auditors should select a stratified sample of cases from the audit trails that support the headline cells for rent rebates (cell 011) and rent allowances (cell 094) on the claim form. The required sample size is determined by the size of the local authority as explained in the following table:

Caseload	Sample for each headline cell	Total sample
> 5000 claims	20	40
< 5,000 claims	10	20

41. For authorities with a caseload of 5000 claims or fewer, auditors may reduce the sample size to a minimum of 10 cases from each headline cell. Auditors should select an appropriate sample size using their judgement of the risk of inaccurate HB claims in the local authority. Where auditors consider there to be a high risk of error in the HB caseload, an initial sample of 20 cases should be tested. When considering risk, auditors should consider:

- errors in previous years' subsidy claims
- results of the authority's own accuracy checking
- concerns raised by either the DWP's performance development team or through Audit Scotland's HB performance audit work.

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

Local authorities with under 5,000 HB claims

Angus Council	Argyll & Bute Council	Clackmannanshire Council	Comhairle Nan Eilean Siar
East Dunbartonshire Council	East Lothian Council	East Renfrewshire Council	Inverclyde Council
Midlothian Council	Moray	Orkney Islands Council	Perth & Kinross
Scottish Borders Council	Shetland Islands Council	Stirling Council	

43. If the test population for a benefit type is less than 100, auditors may reduce the initial sample pro rata, e.g. a population of 49 would require a sample of 10 (for larger authorities) or 5 (for smaller authorities).

44. As a change for 2022/23, auditors are required to select stratified samples of cases for testing. Auditors should select their standard testing sample according to the higher risk cases as set out in the following table:

Type of case	Proportion
Homeless	50%
Cases with income calculations and overpayments	50%

45. Of the total sample tested, auditors should ensure that at least 5% includes passported cases. For example, if rent rebate testing consists of 10 homeless cases and 10 cases with income calculations and overpayments, at least one passported claim should be included in the sample of 20.

46. Where a local authority has undergone a housing stock transfer, all rent rebate testing should be carried out on homeless cases. A minimum of 5% of the cases tested should be passported cases and 50% should have overpayments and income calculations.

47. CAKE testing is not required for 2022/23. However, errors were identified in the previous year's testing, and reported in the covering letter to the DWP, then auditors should:

- discuss with the authority the actions they have taken
- adjust the initial testing sample composition set out above to include similar case types to the errors previously identified.

48. For example, if there was a prior year error in an ineligible service charge in a rent rebate case, auditors should use their judgement to alter the sample of 20 cases as in the following table:

Type of case	Sample if no prior year error	Sample if prior year error
Homeless	10	7
Cases with income calculations and overpayments	10	7
Service charges	0	6

49. Professional Support does not expect the above adjustment to be necessary often, as most prior year errors relate to overpayments or earned income.

50. Auditors are required to report in their covering letter to the DWP:

- the number of cases tested
- the number of cases tested that:
 - resulted from previous year errors
 - were homeless cases
 - had income calculations and overpayments
 - related to another risk area identified by the auditor specific to that local authority.

51. 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.

52. If the local authority changes HB software or supplier which results in a change in reference number for the sample case within 2022/23, auditors should test all sample case transactions from both the legacy system and the new system so that all benefit transactions in the year made to the claimant are tested.

53. The work required on the initial sample involves testing the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry. The detailed testing required is set out in the workbooks, which record whether each case passes or fails each test. Where local authority staff carry out the testing, an element of re-performance by auditors is required. Guidance on evaluating the results of the initial tests, including any re-performance, is provided at section 3 of this TGN.

54. If auditors commence testing 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. Auditors should examine any differences, and assess the impact before the claim is certified.

55. Local authorities can apply risk-based verification (RBV) on a voluntary basis. RBV allows local authorities to decide locally the evidence requirements for HB claims. Any local authorities opting to apply RBV are required by the DWP to have a RBV policy in place detailing their risk profiles and the verification standards which will apply. There is no national model for the RBV policy.

56. 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.

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

Test 5 - In-year reconciliation cells

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

58. Each section of the claim form contains an in-year reconciliation cell which is calculated automatically by the pdf form in accordance with cell instructions. Cells 037 and 130 should agree with the entries in the headline cells 011 and 094 respectively. The in-year reconciliation cells seek to confirm that the figure in each total expenditure cell is supported by the analysis of expenditure that follows it.

59. However, there is no validation check forcing the two figures to be equal before the authority can certify the form. The DWP has confirmed it will pursue any differences at the initial claim stage and require an authority to undertake further work and provide the results of this work to its auditor. Auditors should refer to any differences remaining or identified at the final claim stage in their covering letter. The DWP may require authorities to resolve these differences, but auditors are not required to do so. Differences due to rounding between the HB system outturn reports and the entries made on the claim form do not require to be included in the covering letter.

Test 6 - Uncashed cheques

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

60. Local authority procedures for writing back uncashed cheques and expired instruments of payment must secure the necessary adjustments to subsidy, as subsidy is not payable on these items.

61. Auditors should examine prime documents and evaluate whether the authority's system for dealing with uncashed cheques, etc results in them being excluded from the subsidy claimed. The adjustments to subsidy are as follows:

- Uncashed cheques, etc identified in the financial year of issue should have been deducted from the total qualifying expenditure for the year and from any other cell on the form in which the expenditure was included (e.g. from overpayments).
- Uncashed cheques, etc from a previous financial year should have been accounted for by including the subsidy claimed in the previous year(s) in cell 179S.

Test 7A - Disproportionate rent increase deduction - exemption

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

62. A disproportionate rent increase (DRI) deduction is required in calculating qualifying expenditure where the average rent of tenants receiving rebates has increased between 31 March 2022 and 31 March 2023 by a higher percentage than the percentage increase in the average rent of tenants who are not receiving rebates.

63. Exemptions from the DRI deduction can be obtained if an authority can demonstrate that it has set rents to reflect the characteristics of individual dwellings and services provided rather than the HB status of tenants. There are two alternatives by which an authority can gain exemption from the DRI rule as summarised in the following table:

Category	Meaning	Conditions	Claimed by clicking yes in cell
A	Open and transparent rent-setting policies which apply to all tenants regardless of their HB status	<p>Policies and practices set rents for 2022/23 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 2022/23 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>	180b

Category	Meaning	Conditions	Claimed by clicking yes in cell
		Letting policies and practices in 2022/23 and the previous two years did not have regard to a tenant's present or future HB status.	
B	Rent increased by a common percentage	An authority has to be able to demonstrate that: <ul style="list-style-type: none"> • it had no DRI deduction for 2021/22; and • there is clear evidence that rent increases during 2022/23 were the same percentage and applied on the same day for all tenants. 	181b

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

Test 7B - Disproportionate rent increase deduction - no exemption

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

- the entries in cells 184a to 185b are supported by control totals produced by the rents system
- the totals are accurate
- the amounts in respect of modular improvements and HB eligible service charges have been included in average rents
- the DRI percentage figure in cell 182 agrees to the authority's documentation supporting the entry in cell 188 of the 2021/22 subsidy claim form
- cells 182 to 190s have been properly completed.

65. If the authority does not gain exemption, it will be required to carry out a simple calculation based on the DRI abatement applied in the preceding year, multiplied by any new abatement arising from a DRI in 2022/23.

66. The percentage figure for the disproportionate increase in rent rebates in 2021/22 should be entered in cell 182. The disproportionate increase factor for 2021/22 calculated by dividing the figure shown in cell 182 by 100 and shown to four decimal places, should be entered in cell 183.

67. The entries in cells 184 and 185 require the authority to separately identify the average weekly rent of dwellings as summarised in the following table:

Tenants in receipt of rebate at 31 March 2023?	Average rent at 31 March 2022	Average rent at 31 March 2023
Yes	Cell 184(a)	Cell 184(b)
No	Cell 185(a)	Cell 185(b)

68. It is not relevant whether the HB status of the tenant was the same on both dates, or whether the tenant had changed, as it is the HB status of the tenant on 31 March 2023 that is relevant when determining the average rents. Entries in the above cells should be supported by control reports produced by the rent system, and auditors should be satisfied that these are accurate by testing individual cases from listings provided in support of the control totals. Amounts attributable to modular improvement schemes should be included in the average rent as should all those service charges which are eligible for HB.

69. If an authority is unable to comply with the requirements of the determination or has performed its calculation on a different basis, auditors should report the facts to the DWP in their covering letter, and set out the rent-setting policy adopted, e.g. 'The local authority has increased its rents since March 2022 by applying the same percentage increase to all rents' or 'by applying cash increases based on the size of each dwelling'. Covering letters should explain how the increases were applied and not simply report that the increases were uniform and made with no regard to tenant status.

Test 8 - Administration subsidy

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

- the DWP's 17 March 2023 letter
- the authority's financial statements.

70. 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 2023 letter. The amount should also agree to the authority's financial statements.

Test 9 - Interim benefit subsidy

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

- the DWP's 17 March 2023 letter
- the authority's financial statements.

71. 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 2023 letter and to the authority's financial statements.

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

3. Evaluating results of testing and agreeing amendments

This section provides guidance on evaluating the results of test 4 set out at section 2.

Evaluation procedures

Evaluation procedure 1 – Evaluation of testing results

Auditors should evaluate the results of the initial testing and:

- critically evaluate the value, frequency, and nature of each error
- request additional testing to be carried out by the internal audit service where errors affect the amount of subsidy or relate to overpayments and are either:
 - individually above a de-minimis level; or
 - there are more than a certain number or value of errors with similar characteristics.
- reperform an element of the additional testing.

De minimis level for errors

73. As a change for 2022/23, a de minimis level of £50 has been introduced for errors to rationalise the amount of additional testing required (previously called 40+ testing). The implications of this are as follows:

- Generally, for errors in individual claims under the de-minimis, additional testing is not required. However, there are exceptions where several errors are identified with similar characteristics eg overpayments.
- Errors in any HB case that exceeds £50 across the financial year trigger additional testing (paragraph 79). The additional sample size continues to be 40 cases.
- As a further change for 2022/23, the additional testing should be undertaken by the local authority's internal audit service. Local authorities were advised of this change in a [joint letter](#) from the DWP and Audit Scotland that was sent to the Directors of Finance and Benefit Managers. The letter was followed up by a [workshop](#) to explain the details of the changes in more depth.
- Auditors are required to re-perform an element of the testing carried out by the internal audit service.

- Auditors should report all errors identified (above and below the de-minimis) in their covering letter to the DWP. For any errors identified below the £50 de-minimis level, auditors should notify the local authority of the error and request that both the benefit case and the subsidy claim form are corrected.

Evaluation of errors

74. Where initial testing identifies errors, auditors should critically evaluate their nature. Errors should not be simply corrected in the claim form without addressing the likelihood of similar errors in the population.

75. It may be possible to conclude on the impact of an error above the de minimis as summarised in the following table:

Nature of error	Auditor response
Error is representative of the population (e.g., when system parameters are wrong)	Auditors should move to evaluation procedure 2.
Error is an isolated case	<p>Isolated errors are likely to be rare, and the presumption should be that an error is not isolated without a clear compelling case. An additional sample will therefore usually be required to confirm that an error in the initial sample is isolated. The additional testing should be carried out by the local authority's internal audit service.</p> <p>Where an additional sample shows no further errors, a conclusion that an error is isolated requires to be supported by, for example, the results of other testing, including by internal audit, or evidence from another source.</p> <p>Auditors should:</p> <ul style="list-style-type: none"> • clearly record how they reached the conclusion that an error is isolated in their covering letter to the DWP • agree a simple amendment to the claim with the authority for all isolated errors both above and below the de-minimis level.
Error affects cells with relatively small populations (i.e. fewer than 100 cases)	<p>Where initial test findings show there are errors above de-minimis reporting levels affecting cells with fewer than 100 cases, and auditors are not in a position to agree an amendment, the remainder of the population should be examined by the local authority's internal audit service to allow an agreed amendment to be made.</p> <p>Where auditors are satisfied with the results, they can then agree a simple amendment to the claim to be made by the local authority.</p>

Nature of error	Auditor response
Not possible to reach any of the above conclusions	Additional testing should be performed by the local authority's internal audit service to help determine the significance of the errors found in the initial sample.

Sub-populations

76. 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.

77. 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.

78. 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.

Additional testing by the internal audit service

79. The following table shows when additional testing is required:

	Additional Testing triggered by:	
Initial sample size	10	20
Error value across the financial year in any case	£50 or above	£50 or above
Errors with the same characteristics (e.g. overpayment classification errors) in the initial sample	3 or more errors or a total error value of £200 or more	7 or more errors or a total error value of £400 or more

Note: All error values should be included in the total error calculation irrespective of whether they result in an underpayment or overpayment of benefit e.g. where income errors are identified resulting in £200 of benefit underpayments and £300 in benefit overpayments the total value of the errors is £500.

80. In all cases, additional testing will require a sample of 40 cases to be tested by the local authority's internal audit team. External auditors should select the sample and specify the work to be done.

81. The additional testing should focus on the particular characteristics of the error only. These characteristics may relate to an expenditure type (e.g. incorrect earnings calculations) or to a specific detailed cell e.g. the misclassification of overpayments):

- Where the nature of the error could appear in any benefit claim within the headline cell for that expenditure type, the additional sample of cases should be selected from the headline cell. The extrapolation should be calculated on the value in the headline cell.
- Where the error relates to a detail cell, the additional sample should be selected from the detail cell and the extrapolation calculated on the value of the detail cell.

82. The following errors (with the exception of those relating to overpayments) do not require additional testing:

- Errors that would always result in an underpaid benefit.
- 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).

83. Auditors should however refer to the initial sample results in respect of the above errors as an observation in their covering letter.

84. Where internal audit's additional testing identifies errors unrelated to the original error being tested, no further additional testing in respect of this new error is required. Auditors should report this as an observation in the covering letter.

85. After the testing is complete:

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

Reperformance of local authority testing

86. Auditors should reperform an element of the additional testing carried out by the internal audit service. Auditors should use their review of the service to determine the extent to which they can rely on the testing. Auditors should inform the DWP in their covering letter that they have reviewed the internal audit service and their HB certification work and that in their judgement, they place full reliance on the internal audit service's testing. Auditors should

select the cases to be tested by the internal audit service and use their judgement in respect of the number of cases reperfomed.

87. Exceptionally, where auditors judge that they cannot place full reliance on the work of internal audit, the DWP requires auditors to report this in their covering letter and to reperform:

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

The actions to be taken by external auditors after the reperformance testing is set out in the following table:

Results of performance testing	Auditor action
No errors identified	No further actions required
Errors identified	Auditors should: <ul style="list-style-type: none"> • highlight the incorrect conclusion reached by internal audit • request that internal audit reviews all cases again • select a second sample for reperformance testing including some with the characteristics of the incorrect conclusion.
No errors identified in further reperformance testing	No further actions required
Errors identified in further reperformance testing	Auditors should: <ul style="list-style-type: none"> • highlight the incorrect conclusion reached by internal audit • request that internal audit reviews all cases again • select a third sample for reperformance testing including some with the characteristics of the incorrect conclusion.
No errors identified in the third set of reperformance testing	No further actions required
Errors identified in the third set of further reperformance testing	External auditors reperform the full sample of cases.

Evaluation procedure 2 – Agreeing amendments

Auditors should:

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

Agreeing amendments

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

89. The local authority may choose to test the whole population to agree an accurate amendment to the claim form rather than relying on an extrapolation.

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

Error types

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

Error type	Impact on subsidy	Auditor response
1: Underpaid benefit	Where benefit has been underpaid, there is no impact on the amount of subsidy to be claimed because subsidy cannot be claimed on benefit that has not been awarded.	<p>Underpaid benefit must be excluded from the extrapolation calculation.</p> <p>The underpaid amount should be excluded from the sample error but the value of the case excluding the underpayment tested should be included in the sample value.</p> <p>Auditors should report that there are cases where benefit has been underpaid as an observation in the covering letter. Where the nature of the error could equally result in an overpayment, and either several similar errors are identified or where an error is above the de-minimis (paragraph 79) additional testing is required to try to establish if overpayments have been made.</p>

Error type	Impact on subsidy	Auditor response
2: Missing claim forms	<p>Subject to the application of a local RBV policy, where the claim form (paper, document image or electronic format) to support the claim is missing, and the authority is unable to produce other evidence that a claim form was received, the case should be excluded in its entirety from the subsidy claim form.</p> <p>Other evidence to support a claim may include for example, letters or other records of communication from the claimant about changes in circumstances; copies of information supporting the levels of income, capital or rent; responses from the claimant to enquiries from the authority; copies of records of reviews of the claim; or information from DWP where the benefit is passported(see circular HB G8/2015).</p>	<p>The cell amendment or unadjusted error in the covering letter should remove all expenditure on the case from the subsidy claim form, i.e., from the headline cell and detail cell(s).</p> <p>Where a local RBV policy does not require a claim form, auditors should evaluate whether the authority has complied with its RBV policy for the year in which the claim was determined.</p> <p>If the authority has not complied with its RBV policy, error type 6 is relevant.</p>
3: Benefit overpaid or insufficient supporting information	<p>Subject to the application of a local RBV policy, where benefit has been overpaid, or supporting information for part of the claim is missing or insufficient, the headline cell should not be adjusted, but the cell adjustment or extrapolation in a covering letter should remove the expenditure from the detail cell(s) in which the expenditure is reported and increase the appropriate overpayment cell(s) by a corresponding amount (e.g. local authority error overpayments will need to be increased where these errors are caused by an act or an omission by the local authority).</p>	<p>Where a local RBV policy operates, auditors should evaluate whether the authority has complied with it. Where the application of the RBV policy does not enable the auditor to establish the subsidy classification, the case should nevertheless be admitted for subsidy provided the policy has been applied. This is because certification covers the application of the RBV policy, rather than its contents or adequacy. If the authority has not complied with its RBV policy, error type 6 is relevant.</p>

Error type	Impact on subsidy	Auditor response
4: Expenditure misclassification	Where benefit expenditure has been misclassified (e.g. misclassifying local authority error overpayments as eligible overpayments), the headline cell should not be adjusted,	<p>The cell amendment or unadjusted error in the covering letter should remove the expenditure from the detail cell(s) in which the expenditure has been incorrectly reported and increase the cell(s) in which it should have been reported by a corresponding amount.</p> <p>Errors which by their nature do not affect the amount of subsidy claimed do not require additional testing (unless overpayments).</p>
5: Impact cannot be determined	This may be because the consequential impact of the error on other cells cannot be determined, or the testing identifies a combination of one or more of the above error types and these cannot be separated to enable an amendment or extrapolation for the consequential effect on other cells to be reported.	<p>Auditors should report in their covering letter:</p> <ul style="list-style-type: none"> • the error(s) against the cell(s) in which they were identified • the reason why the corresponding entries could not be established.
6: Failure to apply the RBV policy	<p>This may be the case where the authority:</p> <ul style="list-style-type: none"> • has failed to apply the check specified in the RBV policy • performed a check that does not meet the requirements of 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), • cannot evidence that the check was performed (i.e. there is no record or prime documents to demonstrate the RBV policy check was performed). 	<p>The cell amendment or unadjusted error in the covering letter should:</p> <ul style="list-style-type: none"> • remove the expenditure from the detail cell(s) in which the expenditure is reported; and • increase the local authority error overpayment cell by a corresponding amount.

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

Calculating amendments

93. In order to calculate by extrapolation the amendment required to a cell total (or unadjusted error reported in a covering letter if an amendment cannot be agreed), auditors should multiply the cell (or sub-population) total by the proportion of the sample value that is found to be in error, i.e. Cell adjustment $CA = (CT \text{ or } SP) \times SE/SV$ as explained in the following table:

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

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

95. 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

96. In cases where testing identifies an error in a cell, auditors should consider the effect on other cells, and either agree corresponding amendments or report the unadjusted error in their covering letter. If corresponding amendments cannot be identified, auditors should provide an explanation in their covering letter.

97. Amendments and unadjusted errors reported in covering letters require to satisfy the in-year reconciliation check in each section of the claim form. The failure to deal with the impact of errors on other cells is likely to cause the in-year reconciliation to fail which would result in the DWP returning the claim to the authority for further work to be carried out.

98. It should be noted that all 2022/23 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.

99. 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 2022/23 HB expenditure. It should not include expenditure which was included in previous subsidy claims.

Making and confirming amendments

100. All amendments should be agreed with the authority and the claim returned to the authority for amendment and re-signing. Where certification work results in agreed amendments to cell entries, authorities are required by the DWP to:

- amend a pdf version of the form (not in manuscript) because this will ensure the amendments are automatically reflected in calculations and amounts transferred between cells
- perform the validation check
- print a copy of the amended form
- where possible, initial all input cells which have been amended (it is not necessary to initial changes to cells that contain calculations or cells that contain amounts transferred from other cells as these are updated automatically by the form). The DWP will accept non-initialled cells provided auditors include the detail of the amendments in the covering letter
- sign the amended form.

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

Reporting unadjusted errors

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

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

4. Completion procedures

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

Completion procedures

Completion procedure 1 - Covering letter

Auditors should report the following in their covering letter:

- the number and type of cases tested
- where reliance has been placed on work carried out by internal auditors
- unadjusted errors
- observations
- agreed amendments to the form.

104. Auditors should ensure the covering letter includes details of the number and type of cases included in initial testing along with details where reliance has been placed upon testing carried out by the local authority's internal audit service. Any unadjusted errors, observations, or agreed amendments should also be set out in the covering letter. Auditors should complete the covering letter in accordance with Appendix 3.

Reliance on testing completed by internal auditors

105. Auditors should confirm in the covering letter details of the testing carried out by the internal audit service. The auditor should confirm that:

- a review of the internal audit service has been carried out and that reliance can, or cannot be placed on the work of the internal audit service
- a sample of cases tested by the internal audit service has been re-performed. The results of the re-performance testing should be included in the letter.

Unadjusted errors

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

- cell number and description, total, and population, and headline cell value
- a summary of the results from initial and additional testing set out in a tabular format

- the range of errors found in terms of value and benefit period, and note any differences in error rates between the initial and additional testing
- an explanation of how the errors occurred and the reason for them
- the error type
- the potential effect the error has on the subsidy claim
- any additional relevant information e.g. mentioning if similar errors have arisen in previous years or stating the action the authority is taking to resolve the issue
- an explanation as to why an amendment to the cell entry is not possible.

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

108. 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.

109. Auditors should consider and set out the potential impact of qualifying a conclusion in respect of one cell on the form on the other cells, including the headline and in-year reconciliation cells. For example, where misclassification of overpayments results in a qualified conclusion, a corresponding qualified conclusion should be considered for the other overpayment cells affected. Similarly, where testing of overpayments identifies missing files, auditors should consider the potential impact on all cells, including the total expenditure cells that include expenditure on the case for which the file is missing.

Observations

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

Agreed amendments

111. All amendments to the claim form, both above and below the de-minimis, 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.

112. Where amendments relating to errors below the de-minimis level are identified, the auditor should confirm in the covering letter that the local authority has corrected both the benefit case and the subsidy claim form.

Additional issues

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

Completion procedure 2 – Auditor's certificate

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

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

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

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

Completion procedure 3- Submission of certified claim by auditor

Auditors should send a certified copy of the claim form and the covering letter to the DWP (and copy to Professional Support) by 31 January 2024(or as soon as practicable).

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

117. Although the claim form indicates the submission deadline is 30 November 2023, the DWP has deferred the submission deadline to 31 January 2024. Where it is not possible to perform the required audit procedures to an appropriate high quality even by that deferred date, auditors should aim to make the submission as soon as practicable. The DWP has advised that they will not accept requests to extend the deadline from auditors. Auditors should therefore advise authorities of any anticipated delays so that the authority can, if it wishes, formally ask the DWP for an extension.

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

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

5. Post-certification procedures

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

Post-certification procedures

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

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

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

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

120. 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.

121. The DWP will advise on the volume and nature of the testing to be carried out by the local authority.

122. 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 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.

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

124. The local authority will conduct the further work tests. The results of this work should be recorded in a format agreed between auditors and the local authority to enable auditors to undertake re-performance testing. Auditors should use their judgement when deciding the amount of re-performance testing carried out.

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

Post-certification procedure 2 - Submission of letter to DWP

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

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

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

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

Appendix 1. Auditor action checklist

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

Testing procedures	Yes/No/NA	Initials/ date	W/P ref
1. Have you evaluated whether for rent rebates and rent allowances benefit granted in the claim form (total expenditure in the headline cells) agrees to final subsidy reports in accordance with the relevant software diagnostic tool?			
2. Have you evaluated whether for rent rebates and rent allowances benefit granted in the subsidy system has been reconciled to benefit paid in the subsidy system in accordance with the software provider's instructions and the relevant software diagnostic tool?			
3. Have you evaluated whether the local authority's system is using the correct benefit parameters to calculate benefit and to claim subsidy?			
4. Have you selected an initial stratified sample of cases from the headline cells for rent rebates and rent allowances and tested the headline cell entries and the analysis of expenditure in the detailed cell(s) that support the headline cell entry as set out in the workbooks?			

Testing procedures	Yes/No/NA	Initials/ date	W/P ref
5. Have you evaluated whether the in-year reconciliation cells for rent rebates and rent allowances agree with the corresponding total expenditure cell?			
6. Have you evaluated whether uncashed cheques and other expired instruments of payment result in the necessary adjustments to subsidy?			
<p>7A. Where the authority has claimed exemption from the DRI, have you evaluated whether the relevant exemption criteria has been met? Or</p> <p>7B. Where the authority does not have exemption from the DRI deduction, have you evaluated whether:</p> <ul style="list-style-type: none"> • the entries in cells 184a to 185b are supported by control totals produced by the rents system • the totals are accurate • the amounts in respect of modular improvements and HB eligible service charges have been included in average rents • the DRI percentage figure in cell 182 agrees to the authority's documentation supporting the entry in cell 188 of the 2021/22 subsidy claim form • cells 182 to 190s have been properly completed? 			
<p>8. Have you evaluated whether administration subsidy in cell 005 agrees to:</p> <ul style="list-style-type: none"> • the DWP's 17 March 2023 letter • the authority's financial statements? 			
<p>9. Have you evaluated whether interim benefit subsidy in cell 008 agrees to:</p> <ul style="list-style-type: none"> • the DWP's 17 March 2023 letter • the authority's financial statements? 			

Evaluation procedures	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"> • critically evaluated the value, frequency and nature of each error • requested additional testing to be carried out by the internal audit service where errors affect the amount of subsidy or relate to overpayments and are either: <ul style="list-style-type: none"> – individually above the de-minimis level, or – where there are more than a certain number or value of errors with similar characteristics • reperform an element of the additional testing? 			
<p>2. Have you:</p> <ul style="list-style-type: none"> • considered the error's impact on subsidy • extrapolated the results of the testing • considered corresponding amendments in other cells • agreed an amendment to the claim form with the local authority and evaluated whether it has been correctly made? 			

Completion procedures	Yes/No/N/A	Initials/ date	W/P ref
<p>1. Have you reported in your covering letter:</p> <ul style="list-style-type: none"> • the number and type of cases tested • where reliance has been placed on work carried out by internal auditors • unadjusted errors • observations • agreed amendments to the form? 			

2. Have you reported in the certificate whether the claim is fairly stated and in accordance with the relevant terms and conditions?			
3. Have you sent a certified copy of the claim form and the covering letter to the DWP (and copy to Professional Support) by 31 January 2024 (or as soon as practicable)?			

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

Appendix 2. Rules for completing claim

The following represent key sources of guidance in respect of the 2022/23 claim form and can be accessed by following the hyperlinks or downloaded from Audit Scotland's [Technical Reference Library](#)

- [The Income-related Benefits \(Subsidy to Authorities\) Order 1998, SI 562, as amended](#)
- [The Social Security Administration Act 1992](#)
- [The Housing Benefit Regulations 2006, SI 213](#)
- [The Housing Benefit \(Persons who have attained the qualifying age for state pension credit\) Regulations 2006, SI 214](#)
- [The Housing Benefit and Council Tax Benefit \(Consequential Provisions\) Regulations 2006, SI 217](#)
- [Subsidy guidance manual](#)
- [Local housing allowance guidance](#)
- [Housing Benefit overpayments guide](#)
- [Housing Benefit subsidy claims: local authority best practice guide](#)
- [Housing Benefit guidance for supported housing claims](#)
- Notes for guidance on completion of form MPF720B 2022/23
- DWP 17 March 2023 letter Housing benefit 2022/23 final subsidy claim (MPF720B) which enclosed the 2022/23 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

- [S4/2022: Additional New Burdens funding to meet the costs of delivering Welfare Reform changes in the financial year ending March 2023](#)
- [S5/2022: Additional New Burdens funding to meet the costs of implementing changes following the Incapacity Benefit Reassessment LEAP exercise](#)
- [S6/2022: Housing Benefit administration subsidy arrangements for English, Scottish and Welsh local authorities for the financial year ending March 2023](#)

- [S7/2022: Housing Benefit Award Accuracy Initiative funding for financial year ending March 2023 for local authorities participating from 4 April 2022](#)
- [S8/2022: Payment for the Verify Earnings and Pension service for the financial year ending March 2023](#)
- [S10/2022: Housing Benefit Award Accuracy Initiative funding for financial year ending March 2023 for local authorities participating from October 2022 \(Year 3\)](#)
- [S3/2023 Additional New Burdens funding to meet the costs of action required to improve the quality of supported housing and temporary accommodation management information](#)

Adjudication circulars

- [A11/2021: Housing Benefit uprating for the financial year ending March 2023](#)
- [A2/2022: War Pensions uprating for the financial year ending March 2023](#)
[A5/2022: Housing Benefit Award Accuracy Initiative for financial year ending March 2023](#)
- [A5/2022: Housing Benefit Award Accuracy Initiative for financial year ending March 2023](#)
- [A6/2022: The Housing Benefit and Universal Credit \(Victims of Domestic Abuse and Victims of Modern Slavery\) Amendment Regulations 2022](#)
- [A7/2022: Housing Benefit debt recovered by the Department for Work and Pensions' Debt Management](#)

LA welfare direct bulletins

- [LA Welfare Direct 10/22](#) – includes details of how the Infected Blood Interim Compensation Scheme payments should be treated for HB purposes
- [LA Welfare Direct 3/2023](#)- includes details of the treatment of arrears of state pensions and cryptocurrency assets for HB purposes

Appendix 3. Examples of reporting errors and observations

Summary of initial testing

Cross cutting qualification issues [Examples]

In year reconciliation cells

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

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

Sample testing of headlines cells

An initial sample of

- 20/10 cases was completed for rent rebates (cell 011) comprising of 10/5 cases containing income calculations and overpayments, plus 10/5 homeless cases. One of the homeless cases tested received income support and therefore was passported for HB. There were no rent rebate errors identified in 2021/22.
- 20/10 cases was completed for rent allowances (cell 094) comprising of 7/3 cases containing income calculations and overpayments, 7/3 homeless cases, and 6/4 cases with service charges due to an error being identified in service charges in a rent allowance case in 2021/22. One of the cases tested with an overpayment received income support and therefore was passported for HB. The local authority carried out additional staff training on service charges as a result of the error that was identified in 2021/22.

Where applicable, additional testing has been carried out by the local authority's internal audit team. Additional testing samples were selected and passed to the internal audit team for testing. A review of the internal audit service and their HB certification testing has been carried out and reliance can be placed on the HB work completed by the internal audit team. We have re-performed a sample of the local authority's additional 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 classification of eligible overpayments

Initial testing of cell 011 identified 7 overpayments in cell 028 “Eligible overpayments” that should properly have been included in cell 026 “LA error and administrative delay overpayments”. The individual values of the errors ranged from £1.50 to £35.02. Due to the number of errors identified, additional testing of 40 cases was completed by the local authority’s internal audit team. We have re-performed a sample of the local authority’s additional testing and confirm the tests we have carried out concur with the local authority’s results. The results are detailed in Appendix A.

Or:

Cell 011 Rent Rebate- Incorrect calculation of income

Initial testing of cell 011 identified 2 errors in the calculation of earned income in cell 023. One of these errors resulted in an overpayment totalling £40. However, the other error resulted in an underpayment totalling £400. As the total value of errors is over the £400 de-minimus, additional testing of 40 cases was completed by the local authority’s internal audit team. We have re-performed a sample of the local authority’s additional testing and confirm the tests we have carried out concur with the local authority’s results. The results are detailed in Appendix A.

As there is no eligibility to subsidy for benefit that has not been paid, the underpayments do not attract subsidy and therefore have not been included in the extrapolation detailed in Appendix A.

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

Initial testing of Cell 011 identified that 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 by the local authority’s internal audit team. We have re-performed a sample of the local authority’s additional testing and confirm the tests we have carried out concur with the local authority’s results. The results are detailed in Appendix A.

Cell 011 Rent Rebate Self Employed income

Initial testing of Cell 011 identified that the local authority had incorrectly calculated self-employed earned income resulting in an overpayment of benefit. The authority identified all self-employed claims in Cell 011 and the internal audit team has tested each claim. We have re-performed a sample of the local authority’s additional testing and confirm the tests we have carried out concur with the local authority’s results. This is detailed in Appendix C as the local authority has amended the claim in respect of these incorrect claims.

Cell 011 Rent Rebate -Earned income calculations

Initial testing of Cell 011 identified that the local authority had incorrectly calculated earned income in two claims resulting in overpayments of benefit. Both errors were below the reporting de minimis level. The details are in Appendix C as the local authority has amended the claim in respect of these incorrect claims.

Cell 094 Rent Allowance

No claims were found to be in error.

OR

Initial testing of Cell 094 identified that the local authority had incorrectly calculated a service charge resulting in an overpayment of benefit of £60. This type of error was also identified in 2021/22.

The error occurred in July 2022. As a result of the error that was identified in 2021/22, the local authority carried out additional staff training on service charges in September 2022.

Due to the value of the error identified, additional testing of 40 cases was completed by the local authority's internal audit team. We have re-performed a sample of the local authority's additional testing and confirm the tests we have carried out concur with the local authority's results. The results are detailed in Appendix A.

Benefit system parameters

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

Reconciliation of benefit granted to paid

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. No issues were identified.

OR

The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differ by the amounts in column C in the table below. The local 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.

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

This has resulted in an overclaim of subsidy of £1,354 for rent rebates.

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

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

Appendix A: Unadjusted errors

Error type 4

Cell 028 incorrect classification of eligible overpayments

Cell 028 total £525,200

Cell population 5,203

Headline Cell 011 £12,254,152

128. Initial testing identified 7 overpayments in cell 028 “Eligible overpayments” that should properly have been included in cell 026 “LA error and administrative delay overpayments”. Consequently cell 028 is overstated and cell 026 is understated. The individual values of the errors ranged from £1.50 to £35.02. There is no impact on headline cell 011.

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 (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial Sample of 20– 7 errors	Results of initial sample	£525,200	£100	£5,000		
Additional testing sample of 40 - 0 errors	Cell 028 overstated & cell 026 understated	£525,200	£0	£20,000		

Combined sample- 60 cases	£525,200	£100	£25,000	0.4%	£2,101
Adjustment	Cell 028 overstated				(£2,101)
Corresponding Adjustment	Cell 026 understated				£2,101

Error type 3

Cell 011 Incorrect calculation of earned income

Cell 011 Rent rebates Cell Total: £1,254,152

Cell 011 Population: 841 cases

Cell Total £800,000– sub population of all earned income cases

Cell Population: 150 cases – sub population

Initial testing identified 2 errors in the calculation of earned income. One of these errors resulted in an overpayment totalling £40. However, the other error resulted in an underpayment totalling £400.

As there is no eligibility to subsidy for benefit that has not been paid, the underpayments do not attract subsidy and therefore have not been included in the extrapolation table below.

Sample	Movement / brief note of error:	Original cell total: sub population	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 calculation of earned income	£1,254,152	£40	£5,032		
Additional testing sample of 40 - 1 error	Incorrect calculation of earned income	£800,000	£2,400	£201,260		
Combined sample- 41 cases		£800,000	£2,440	£206,292	1.18%	£9,462

Adjustment	Cell 023 overstated	(£9,462)
Corresponding Adjustment	Cell 026 understated	£9,462

Error type 3

Cell 011 Overpaid benefit – non-dependant deduction error

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

Cell Population: 841 cases

Cell Total £800,526– sub population

Cell Population: 150 cases – sub population of all non-dependant deduction cases

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

As it was not possible to correctly establish the error for amendment, additional testing of 40 non-dependant deduction cases was completed by the local authority internal audit team.

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

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

Sample	Movement / brief note of error:	Original cell total: sub population (Non Dep deductions)	Sample error:	Sample value:	Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial Sample of 20– 1 error	Incorrect Non-Dep Deduction Calculation – Cell 011	£2,774,426	£0	£5,032	0%	N/A

Additional testing sample of 40 - 1 error	Incorrect non-dep deduction Cell 011	£800,526	£183	£201,260		
Combined sample- 41 cases		£800,526	£183	£206,292	0.09%	£720
Adjustment	Cell 014 overstated					(£720)
Corresponding Adjustment	Cell 026 understated					£720

Error type 3**Cell 094 Overpaid benefit – incorrect service charge****Cell 094 Rent allowances Cell Total: £5,374,126**

Cell Population: 503 cases

Cell Total £120,520– sub population of cases with service charges

Cell Population: 89 cases – sub population

Initial testing showed one claim (value: £1,206) had a service charge incorrectly applied that resulted in an overpayment of £60.00.

Due to the value of the error, additional testing of 40 claims with service charges was completed by the local authority internal audit team.

One further claim was identified with an error. This one 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 (service charges)	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 service charges – Cell 094	£5,374,126	£60	£15,302		
Additional testing sample of 40 - 1 error	Incorrect service charge	£120,520	£283	£60,205		

	Cell 094					
Combined sample- 41 cases		£120,520	£343	£75,507	0.45%	£542
Adjustment	Cell 103 overstated					(£547)
Corresponding Adjustment	Cell 113 understated					£547

Appendix B: Observations

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

OR

Error Type 1: Cell 011: Rent Rebates – Total expenditure (Benefit Granted)

Cell Total £1,034,012

Cell Population 34,003

Underpaid benefit

Testing identified 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. The local authority has been notified of this error and made the necessary amendments to the relevant HB claims.

Appendix C: Amendments to the claim form

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

OR

Error Type 3 – benefit overpaid or insufficient supporting information.

Cell 011 Rent rebate Self-employed earnings incorrectly calculated

Cell 011 Rent rebate

Cell Total: £2,774,426

Cell Total £ £193,560– sub population

Cell Population: 841 cases

Cell Population: 105 cases – sub population

Initial testing of Cell 011 identified that the authority has incorrectly calculated Self-employed earned income resulting in an overpayment of benefit. The local

authority identified all self-employed claims in Cell 011 and the local authority's internal audit team tested each claim. We have re-performed a sample of the local authority's additional testing and confirm the tests we have carried out concur with the local authority's results.

A total of 7 claims were found to be incorrect. Cell 014 was found to be overstated by £1,209.73 and cell 026 was understated by the same amount. Cells 14 and 26 have been amended on the claim form. Cell 011 remains unchanged.

Error Type 3 – benefit overpaid or insufficient supporting information

Two rent rebate errors were identified below the reporting de minimis level. Both related to earned income calculations and resulted in overpayments of £25.36 and £9.50. The local authority has been notified of these errors and has made the necessary corrections to the HB awards and the subsidy claim.

Appendix D Additional issues

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

Appendix 4. Examples of reporting post-certification procedures

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

I am writing to you in connection with the above.

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

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

Findings

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

Original Population or sub population

- Value of population
- Number of cases

Sample we selected and tested by the local authority internal audit service

- 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:

- Number of cases subject to re-performance testing
- Value of re-performance sample
- Nature of error
- Value of error.

[Note- Auditors should confirm:

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

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

Technical Guidance Note TGN/HBS/23

Auditor Certification of 2021/22 Housing Benefit Subsidy Claims

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