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Claire Moses
Head of Service (Revenues, Benefits,
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South Kesteven District Council
Council Offices
The Picture House
St Catherines Road
Grantham
NG31 6TT

28 November 2024

Dear Claire,

Agreed-upon Procedures Report to South Kesteven District Council and the Department for Work and Pensions of factual findings in relation to the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2024.

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

This report is produced in accordance with the terms of our engagement letter with South Kesteven District Council dated 05 August 2024 and the standardised engagement terms in Appendix 2 of Housing Benefit (Subsidy) Assurance Process (“**HBAP**”) Module 1 for year ending March 2024 issued by the Department for Work and Pensions (“**DWP**”) for the purpose of reporting to the Section 151 Officer of South Kesteven District Council (the “**Local Authority**”) and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 29 April 2024.

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

This report is designed to meet the agreed requirements of the Local Authority and the DWP as described in the DWP HBAP reporting framework instruction for financial year ending March 2024.

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

Local Authority's Responsibilities

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

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

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

Our Responsibilities

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2023/24 dated 29 April 2024 by the Section 151 Officer.

We conducted our engagement in accordance with HBAP Modules 1 and 6 for financial year ending March 2024 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

Our engagement was carried out in accordance with the DWP reporting framework instruction and in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements* issued by the International Auditing and Assurance Standards Board. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 29 April 2024 and to report the factual findings, which are the factual results of those procedures to the Local Authority and the DWP. We make no representation regarding the appropriateness of the agreed-upon procedures.

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

The procedures specified in DWP's HBAP reporting framework instruction do not constitute an examination made in accordance with generally accepted auditing or review standards or an assurance engagement performed in accordance with any standards applicable to

assurance, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures, or had we performed an audit or review of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A in accordance with generally accepted auditing or review standards or an assurance engagement performed in accordance with any standards applicable to assurance, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

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

Professional Ethics and Quality Control

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

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

Summary of HBAP report

Summary of Initial Testing

Cell 011: NHRA Rent Rebates:

- No issues identified.

Cell 094: Rent Allowances:

- No issues identified.

Completion of Modules

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

Completion of Module 2

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

Completion of Module 5

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

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

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

- Cell 094 Rent Allowance – Incorrect earned income.
- Cell 104 – Expenditure Misclassification (Observation only)

We have re-performed a sample of the Authority’s testing and confirm the tests we have carried out concur with the Authority’s results. The results of this testing can be found in the appropriate appendix.

For the form MPF720A dated 29 April 2024 for the year ended 31 March 2024 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the results set out in Appendices A, B, C and D.

Firm of accountants: KPMG LLP
Office: One Snowhill, Snowhill, Queensway, Birmingham. B4 6GH.
Contact details: Andrew Bostock, Partner, 07796313249, Andrew.Bostock@kpmg.co.uk

KPMG LLP

Signature:

Date: 28 November 2024

Yours faithfully,

KPMG LLP

KPMG LLP
Chartered Accountants
One Snowhill
Snowhill, Queensway
Birmingham
B4 6GH

Attachments:

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

Appendix A Exceptions/Errors found

Cell 094: Rent Allowance Expenditure – Earned Income

Cell Population Total: £9,813,095

Cell Population: 1,747

Subpopulation Total: £413,234

Subpopulation: 97

Headline Cell: £9,813,095

In the 2022/23 HBAP Accountants report, the auditor identified that the Local Authority had incorrectly assessed claimant earned income. Given the nature of the population and the errors reported in the 2022/23 HBAP Accountants report, an additional sample of 40 cases were selected from cases in cell 094 with earned income to confirm whether the earned income assessment made is correct.

The additional testing identified:

- 2 cases (total combined error value £187.63) where housing benefit has been overpaid as a result of earned income being miscalculated. The impact of the error is to overstate cell 102 by £187.63, with a corresponding understatement of cell 113 of £187.63. There is no impact on cell 094.
- 3 cases (total combined error value £3.01) where housing benefit has been underpaid as a result of the earned income being miscalculated.

Each error type is dealt with separately below:

Underpaid Benefit

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

Overpaid Benefit

The results of our findings are included in the table below:

Sample	Movement / brief note of error:	Sub Population Total: Cell 094 earnings	Sample error:	Sample value:	Percentage error rate (to 2dp):	Cell adjustment:
		[SP]	[SE]	[SV]	[SE/SV]	[SE/SV times SP]
Initial sample – 1 case	Cell 094: Incorrect assessment of earned income	£413,234	£0	£1,224		
Additional testing sample – 40 cases	Cell 094: Incorrect assessment of earned income	£413,234	(£187.63)	£165,344.84		
Combined sample – 41 cases	Cell 094: Incorrect assessment of earned income	£413,234	(£187.63)	£166,568.51	0.11%	(£466)
Adjustment:	Cell 102 is overstated	£413,234	(£187.63)	£166,568.51	0.11%	(£466)
Total Corresponding adjustment:						
Adjustment:	Cell 113 is understated					£466

This error was reported in the prior year HBAP Accountants Report.

Appendix B Observations

Cell 104 Expenditure misclassification

Cell Total: £3,678

Cell Population: 16 cases

The previous auditor identified in their prior year HBAP Accountants Report that the Local Authority had misclassified benefit expenditure in relation to cases included in Cell 104. In all cases, expenditure should have been classified and included in Cell 012.

Misclassification of housing benefit cases between cells with equal subsidy value, using the same method of entitlement calculation, and resulting in the same qualifying expenditure amount do not require further testing, therefore no extended testing was completed in 2022/23, and this issue was considered closed.

However, the authority has reviewed all cases included in cell 104 in the MPF720A claim form dated 29 April 2024 and identified that all cases should have been included in Cell 012. Misclassification of housing benefit cases between cells with equal subsidy value, using the same method of entitlement calculation, and resulting in the same qualifying expenditure amount has no impact on the value of housing benefit paid or housing benefit subsidy claimed. Therefore, this is noted as an observation only.

Appendix C Amendments

There are no amendments to report.

Appendix D Other Matters

No additional issues.