

Housing Benefit Circular

Department for Work and Pensions
Caxton House, Tothill Street, London SW1H 9NA

HB S7/2018

SUBSIDY CIRCULAR

WHO SHOULD READ	All Housing Benefit staff
ACTION	For information
SUBJECT	Assurance of Housing Benefit subsidy claims 2018-19 (England only)

Guidance Manual

The information in this circular does not affect the content of the HB Guidance Manual.

Queries

If you

- **want** extra copies of this circular/copies of previous circulars, **they can be found on the website at** www.gov.uk/government/collections/housing-benefit-for-local-authorities-subsidy-circulars
- have any queries about the
 - **technical or general content of this circular**, contact either Rob Prentice or Graeme Long from the Housing Benefit Assurance Team on either Tel: 01253 689184 or Email: hb.assurancequeries@dwp.gsi.gov.uk
 - **distribution of this circular**, contact housing.correspondenceandpqs@dwp.gsi.gov.uk

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Contents

para

Assurance of Housing Benefit subsidy claims 2018-19 (England only)

Introduction	1
Housing Benefit Assurance Procedure	4
Procurement	6
Assurance procedure	11
Testing	12
Reporting arrangements	14
Future developments	19
Questions & Answers.....	Annex A

Assurance of Housing Benefit subsidy claims 2018-19 (England only)

Introduction

1. This circular advises on our approach to the future arrangements for the assurance of Housing Benefit (HB) Subsidy Grant claims in England commencing with the subsidy period 1 April 2018 to 31 March 2019. It sets out the department's requirements to maintain assurance of the final grant claim form and outlines the detailed tasks and working papers that will underpin the arrangements including the procurement of accountancy suppliers. You will also find a list of Questions and Answers at **Annex A**.
2. When the transitional arrangements managed by Public Sector Audit Appointments (PSAA) expire local authorities (LAs) will appoint their own external accountant for the assurance of their subsidy claims. The Department for Work and Pensions (DWP) will be responsible for the HB assurance framework instructions and the control of grant payments based on the assurance reports supplied under the new arrangements.
3. Circular [S1/2017](#) outlined the DWPs' preferred model for delivery of the new arrangements. This circular confirms the arrangements outlined in that circular and the deadline for informing the DWP of your preferred supplier.

Housing Benefit Assurance Procedure

4. DWP has developed the Housing Benefit Assurance Procedure (HBAP) to replace the HB COUNT model currently in use by PSAA. HBAP provides a comprehensive guide to providing assurance of Housing Benefit Subsidy claims submitted by LAs including the testing methodology to establish a basis for the assurance and amendment of claims prior to final submission and the provision of the tools with which to conduct the assurance engagement.
5. The HBAP procedures are contained within HBAP Modules 1 and 6 published on www.gov.uk and Modules 2, 3 and 5 which form the tools to be used during the HBAP procedures, will be made available by DWP directly to LAs and Reporting Accountants to enable the procedures to be carried out.

Procurement

6. The process will start from the point when the LA procures the services of an appropriate accountant (referred to as a Reporting Accountant). It will continue through the completion and submission of the final adjusted subsidy claim (form MPF720A) for each year and the issue of a final assurance report based on an 'agreed upon procedure' (AUP report) by the appointed accountant. This may require additional work by the LA and a reporting accountant after submission of the final claim in November each year to obtain a settlement with DWP.

7. The engagement will be conducted under a tripartite arrangement. A tripartite arrangement in this context will be between DWP, LAs and appointed accountants. Each role is distinct but forms an integral part of the process towards assuring HB Subsidy Grant claims from LAs.
8. The relationships within this tripartite arrangement are not similar in nature. For example the department will have a non-commercial and 'arm's length' relationship with the accountant whilst the actual contractual engagement will be between the LA and the contracted accountancy firm. The relationship between LAs and the DWP will still be based on the Social Administration Act 1992, HB Regulations 2006 (as amended) and the Income-related Benefits (Subsidy to Authorities) Order 1998 (as amended).
9. LAs will be responsible for the appointment of their own reporting accountant. The acceptance of an assurance engagement between the LA and the reporting accountant will be notified to the DWP via a confirmation letter from the LA, and an example letter is included at Annex 1 of HBAP Module 1.
10. For appointments relating to the 2018-19 subsidy year, LAs must notify DWP of the appointment of a Reporting Accountant by **2 July 2018**. In subsequent years, the appointment of a Reporting Accountant will need to be completed prior to the submission of LA's initial estimate for HB subsidy, which must be sent to DWP no later than the 1st March immediately preceding the financial year concerned. The estimate forms the basis of payments by instalment issued by the DWP.

Assurance Procedure

11. The department will be responsible for supplying the instructions, guidance and, where required, the tools to complete the assurance process and create supporting papers. Final adjudication of disputes based on interpretation of the instructions remains the responsibility of the department.

Testing

12. The testing process is broadly similar to that provided for under the current methodology, HB COUNT, managed by PSAA. Testing will be conducted on the basis of a sample check of claims and the re-performance of HB assessments. The process and detailed test requirements are contained within HBAP Module 6.
13. All testing will be completed using the standard workbooks supplied by the department.

Reporting arrangements

14. Once all testing is complete, the accountant will produce a report stating the facts of any exceptions identified, including extrapolations to estimate the potential value of exceptions discovered and the final value of the HB subsidy claim.
15. The report will be in the format specified in HBAP Module 6, and the DWP will publish a specimen HBAP Report containing worked examples in the coming weeks.
16. The HBAP report and the results of the initial and additional testing provide the basis for the department to achieve settlement of claims without further recourse to reporting accountants. The department will use this information to decide what further action is required. It may decide to settle the claim based on the test

findings, or may need the authority to perform additional work, or provide clarification of any item within the report. The appointed accountant will also be asked to provide clarification where doubt exists over items included in the HBAP report.

17. Any additional testing of claims under these circumstances is referred to as 'Further Work' under the HBAP arrangements, and will require a separate tripartite engagement to be entered into between the DWP, the LA and a reporting accountant. DWP will provide a set of engagement terms to the LA in relation to Further Work. A set of standard terms is currently being developed and will be published shortly, along with further guidance in this area.
18. Once the department is satisfied with the content of the HBAP report and any subsequent clarification or more detailed work by the LA, it will settle the claim and advise LAs of necessary adjustments to payments required for overpaid or underpaid HB subsidy income.

Future developments

19. The HBAP procedures and supporting tools (HBAP Modules) will be reviewed and updated as necessary. In line with the practice of the Audit Commission and PSAA Ltd there will be an annual review and updating exercise undertaken by DWP.

Questions & Answers

Q1: Is the new procedure a different approach to the current audit?

A: In essence the existing procedure known as certification, due to expire in 2018, closely resembles an agreed upon procedure. The new process is an assurance report based on an agreed upon procedure. The sampling, tests and results will be similar to the current arrangements. The scope for the auditor to provide judgement has been limited but from the point of view of LAs this process will look and feel similar to the current procedure.

Q2: What is the difference between an audit providing reasonable assurance and an 'agreed upon procedures' (AUP) assurance?

A: Reasonable assurance is a defined procedure, but the exact scope, nature and extent of the procedures required would be determined by the appointed auditor to support their opinion. The report would provide a broader, positive assurance on whether or not a Grant claim has been made in accordance with the Grant instructions. It is for the auditor to determine the exact wording of the conclusion to reflect their judgement. This is much broader and complex than an agreed upon procedure and so would be a longer and more expensive contractual engagement.

An AUP uses a defined scope of work, which will be performed exactly as stated by an appointed accountant, who will report the results of their findings. Any subsequent report will be factual, based upon the results of their findings and will not give a conclusion. It is then left to the grant paying body (DWP where HB Subsidy Grant is concerned) to interpret the results and make a judgement.

Q3: Is the continuation of a methodology which is similar to the HB COUNT methodology really necessary?

A: It is our belief, supported by the National Audit Office, that owing to the value of HB expenditure, the present testing regime is best able to provide the level of assurance required.

Q4: Will we still need to complete the workbooks?

A: The workbooks are the most satisfactory means by which to capture the claim data necessary to substantiate expenditure. It provides a method of assuring there is a universal application of the testing methodology.

Q5: Will the same volume of testing be required?

A: The HBAP arrangements will broadly continue along the lines of the current model. Details of the testing regime are contained in Module 6.

Additional re-performance testing based on prior years' performance, known as Cumulative Audit Knowledge and Experience (CAKE) testing, is also retained in this model. This is the means by which errors identified in one assurance engagement

can be demonstrated to have been addressed by an LA and that assurance of the accuracy of their claim can be achieved.

Q6: Audit appointments used to be made by either the Audit Commission or PSAA Ltd. Is there any reason why DWP cannot make audit appointments to LAs?

A: There are no provisions to transfer statutory powers similar to those held by the Audit Commission to the Department. Therefore the department is unable to directly contract with accountancy firms in order to appoint auditors for this work.

In line with the government's overall localisation strategy, it is the department's decision that it does not directly contract with accountancy bodies for the discharge of the assurance engagement for HB Subsidy Grant. This is similar to tripartite agreements already established in other similar grant activities.

Q7: Will LAs be free to select their own preferred auditor, based on price, or other commercial factors?

A: Since the introduction of the Local Audit and Accountability Act, 2014, (LAAA, 2014) any audit provider wishing to carry out work on public sector accounts must be registered with the Institute of Chartered Accountants of England and Wales. (ICAEW)

ICAEW were granted recognition by the Financial Reporting Council as a recognised supervisory body with effect from 1 November 2015 and are responsible for licensing, registering and monitoring auditors for local public bodies. Licensing stipulates certain requirements on auditors meaning that LAs will be limited to select from those who are registered and fulfil ICAEW's prescribed criteria.

LAs are free to establish their own procurement, provided suppliers are registered with ICAEW as public auditors.

Q8: We're a small authority. What will happen if we are unable to attract an audit team by the deadline?

A: Whilst we hope that this situation does not arise, where an authority fails to appoint an auditor by the time specified, DWP will retain the power to withhold payments of HB Subsidy Grant payable until such time as an appointment is confirmed. An authority might look toward mitigating this risk by communicating with the DWP as early as possible. The authority could also look to mitigate the risk through co-operative action, for example, by entering into joint procurement arrangements.

Q9: Who will respond to queries or complaints about the conduct of the audit?

A: The department has established the Housing Benefit Assurance Team that will act as the first point of contact for any queries from both LAs and reporting accountants, concerning the specifics of how to carry out the assurance process and technical queries about the subsidy claim.

It will also be possible to raise complaints about the conduct of the audit directly with the reporting accountant. A dispute resolution procedure is contained in HBAP Module 1.

Arrangements will be put in place for full and detailed information to be circulated advising of the processes for the 2018-19 audit as is undertaken at present; and workshops will be organised by DWP to offer face-to-face support as we move across into the new regime.

Q10: Will we be able to share data with reporting accountants as we were under the previous methodology? Including information from the DWP Customer Information System (CIS)?

A: Yes. Appointed accountants will have the same right to information in support of completing their assurance work as is currently the case. It has also been established that HMG Baseline Personnel Security Standard (BPSS) allows reporting accountants to access data from CIS provided they use an LA employee already cleared for CIS access. BPSS does not require appointed accountants to be individually registered in these circumstances.

Q11: Will the process for claiming subsidy, and for the DWP to settle the claim, remain as it is now?

A: The current model of submitting estimates to attract instalments based on forecasts of expenditure will be unaffected by these changes.

The submission of a final assured claim to settle an authority's accounts will also still be a requirement, with adjustments or penalty imposed according to the contents of the HBAP report. A process to offer alternative evidence in respect of the Department's final settlement of HB Subsidy Grant will also remain as part of the revised structure.