

## **Housing Benefit (Subsidy) Assurance Process**

**Module X: DWP Reporting  
Framework Instruction for Further  
Work 2022-23**

**(Applicable to England only)**



**Department  
for Work &  
Pensions**

### **Housing Benefit Subsidy**

Further Work relating to form MPF720A, which falls outside the scope of Housing Benefit Assurance Process (HBAP) Modules 1 to 6.

**Reporting Accountants' reporting deadline: as per individual agreements between the Department for Work and Pensions (DWP), local authorities (LAs) and Reporting Accountants**

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Queries on this DWP reporting framework instruction should be emailed to:  
[lawelfare.hbassurance@dwp.gov.uk](mailto:lawelfare.hbassurance@dwp.gov.uk)

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## **1. Introduction to Further Work**

- 1.1. Each year a number of LAs make representations to DWP, requesting that Further Work is carried out on their final tested subsidy claim, prior to DWP making a decision on the settlement of that claim. Where the DWP agree to take the results of Further Work into account when settling the claim, further testing is carried out, and a Reporting Accountant will carry out a level of re-performance testing and report on this to DWP.
- 1.2. This work has previously been managed by Public Sector Audit Appointments (PSAA) under transitional arrangements following abolition of the Audit Commission. However, the facility to carry out this work using the transitional arrangements ceased in 2018.
- 1.3. Therefore, in order to facilitate any request for Further Work relating to the FYE March 2023, and all subsequent years, DWP has consulted on a standardised approach.
- 1.4. Set out in this Module are the key principles for a Further Work engagement:
  - proforma letter from DWP to LAs agreeing to Further Work and the conditions attached (Appendix 1)
  - set of standard engagement terms (Appendix 2)
  - template for the Reporting Accountant's report to DWP (Appendix 3).
- 1.5. Further Work will often fall into (but is not limited to) one of the following scenarios:
  - 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 HBAP testing carried out under HBAP Modules 1 to 6.

## **2. Key principles for a Further Work engagement**

- 2.1. Further Work is defined as 'any testing requested by an LA which can be used to authenticate its final tested claim and agreed to by DWP, including the associated level of re-performance testing specified by DWP; which is in addition to the specified tests under HBAP Modules 1 to 6. This testing and re-performance testing is therefore outside the scope of the HBAP terms of engagement and requires a new tri-partite arrangement to be agreed between DWP, the LA and a Reporting Accountant.'
- 2.2. Further Work is not usually specified or mandated by DWP, but will be as a result of a request from an LA. Further Work is defined as additional testing results on which DWP will make a decision on the settlement of that claim.
- 2.3. An LA should make any request for Further Work to the LA Payments Team by email to [lawelfare.paymentsandsubsidy@dwp.gov.uk](mailto:lawelfare.paymentsandsubsidy@dwp.gov.uk)

- 2.4. All requests for Further Work will be considered by DWP on their own merits, however the use of Module X to carry out Further Work must not be used as a replacement for any of the testing specified in HBAP Modules 1 to 6. All HBAP testing must be carried out and reported on in full, whether or not DWP agree to a Further Work engagement, and regardless of the timing of that agreement.
- 2.5. Further Work engagements are to be treated as a 'one-off' agreement. The agreement by DWP to take Further Work into account in a particular subsidy year should not be viewed as setting a precedent for subsequent years. The volume of additional tests carried out, or the results of that testing, as part of Further Work will not therefore form part of subsequent years Cumulative Assurance Knowledge and Experience (CAKE) testing, or impact upon the levels of testing to be carried out in subsequent years HBAP engagements.
- 2.6. Further Work **must not** commence prior to reaching agreement with DWP on the volume and nature of testing to be carried out, and the engagement of a Reporting Accountant to undertake any re-performance testing specified by DWP.
- 2.7. The LA must demonstrate to the Reporting Accountant that the population being tested under Further Work can be reconciled to the equivalent population used for HBAP Initial and Additional / 40+ or CAKE testing. In applying the results of Further Work, where a sample population has been tested by the LA, the cases tested under HBAP will be excluded to avoid double counting. Where the full population [of the cell] has been tested under the Further Work engagement, the cases previously tested under HBAP will have been re-tested and should be included.
- 2.8. Where Further Work requires a random sample to be taken from a larger population, the selection of the sample must be carried out by the appointed Reporting Accountant.
- 2.9. Once Further Work has been agreed between DWP, the LA and a Reporting Accountant has been appointed, the LA is committed to completing the agreed testing and providing the results to the Reporting Accountant and DWP. At this point DWP regard the Further Work as a specified part of the subsidy claim. Failure by the LA to complete the work could result in DWP not taking this Further Work into account and settling the subsidy claim based on the HBAP Report alone. This may also be taken into account when considering requests for Further Work in subsequent years.
- 2.10. The LA will conduct the Further Work tests, and record these in a format agreed with the Reporting Accountant, to enable the Reporting Accountant to undertake the specified re-performance testing.
- 2.11. The decision to apply the results of Further Work when considering the settlement of a subsidy claim is at the discretion of the Secretary of State for Work and Pensions.
- 2.12. Further Work will be carried out in the form of an Agreed Upon Procedure, with Reporting Accountants providing DWP with a report of factual findings.

Once this report has been received by DWP, the engagement will be concluded.

- 2.13. Indicative timescales for completion of Further Work (including the appointment of a Reporting Accountant) will be 12 weeks from the date that DWP agree the volume of testing with the LA.
- 2.14. The Further Work engagement does not need to be carried out by the same accountancy firm as the appointed Reporting Accountant for the standard HBAP testing. If the accountancy firms are different, DWP and the LA will provide sufficient information to enable the Further Work engagement to be completed.
- 2.15. A standard approach will be taken to the volume of re-performance testing which is required by DWP. However, within this standard approach, each Further Work engagement will be considered by DWP on its own merits, and as such can be varied at DWP's sole discretion. If DWP intend to make a variation, this will be communicated to the LA in advance of the formal notification.
- 2.16. The standard level of re-performance testing is as follows:
  - a) For a sample population of 500 cases or fewer, a Reporting Accountant will re-perform a random sample of 10% of the testing carried out by the LA.
  - b) For a sample size greater than 500 cases, the following will apply:
    - i) A sub-population of 500 cases will be taken and a Reporting Accountant will re-perform a random sample of 10% of that population. The 500 case sub-population will be the first 500 cases taken from a case list sorted in order of case reference number (low to high).
    - ii) For all cases that fall outside that 500 case sub-population, a Reporting Accountant will re-perform a random sample of 1% of that population.

Example:

400 cases tested by the LA under Further Work would result in 40 cases being re-performed.

1500 cases tested by LA. Identify the first 500 cases from the list and re-perform 50. Then re-perform a further 10 cases from the remaining 1000.

## Appendix 1 Proforma - Engagement letter between DWP and LAs relating to a request for Further Work.

[To be inserted into DWP letter head]

Dear \_\_\_\_\_

Following representations made by [Insert LA] to DWP, the Department for Work and Pensions (DWP) agrees to the request for Further Work to be carried out in relation to the final subsidy claim for [Insert subsidy year]. This work is to be completed and the Reporting Accountant's final report delivered to DWP no later than 12 weeks from the date of this letter. If you become aware that this timescale is likely to be missed, you should inform DWP at the earliest possible opportunity.

The specific tests and checks to be carried out are specified in Part 2 of Appendix 2 to Module X. The detail of the error being tested, the volume of cases to be tested by the Local Authority and the level of re-performance testing to be carried out by a Reporting Accountant are set out in the table below. Please note that you must appoint a Reporting Accountant and agree the format that testing will be recorded in, prior to commencing testing.

The principles for carrying out Further Work, the standard terms of engagement to be used when appointing a Reporting Accountant and the format of the report to be completed by the Reporting Accountant are contained within DWPs published document Housing Benefit (Subsidy) Assurance Process Module X: DWP Reporting Framework Instruction for Further Work

### Details of Further Work testing

Expected outcome of Further Work	Brief description of the error being tested	Volume of additional cases to be tested	Level of re-performance testing
Agreed amendment / Increased sample / Evidence of outlier / Other (Please specify)	This must be sufficient for the LA and Reporting Accountant to determine the population / subpopulation	Volume requested by LA & agreed to by DWP	As specified by DWP

[Any variation to Specific Test Requirements in Part 2 Appendix 2 will be added here]

By signing this letter, DWP confirms that the pre-agreed terms contained within Module X and this letter forms its agreement with the LA and the Reporting Accountants.

The accountant's report is submitted to DWP in accordance with the standardised terms in Appendix 2 of Module X. If the terms of the standardised engagement letter are to be revised, DWP will need to confirm its acceptance of the new terms before a new agreement can be formed.

Yours sincerely

HB Assurance Team

## **Appendix 2 Terms of engagement for Further Work**

This Appendix 2 to Module X is split into two parts.

- Part 1 contains the standardised engagement terms to be used for the engagement of a Reporting Accountant by an LA, to carry out testing relating to Further Work.
- Part 2 contains the specific terms and test requirements for a Further Work engagement.

### **Part 1 - Standard terms of engagement for Further Work**

#### **1 Introduction**

- 1.1. The following are the pre-agreed terms of engagement on which the DWP requires the LA to procure the services of a Reporting Accountant to perform additional work as agreed between DWP and the LA through a separate engagement in accordance with this HBAP - Further Work Module X in connection with the LA's claim for subsidy on form MPF720A for the relevant year ending [31 March].
- 1.2. DWP agrees to enter into a tri-partite engagement as outlined in this HBAP) - Further Work Module X in respect of form MPF720A for the relevant subsidy year. DWP accepts that an agreement between the LA, its Reporting Accountant and DWP on these terms is formed when the contract is agreed and signed between the LA and the Reporting Accountant to complete the engagement in accordance with the HBAP - Further Work Module X in respect of form MPF720A.
- 1.3. The Reporting Accountants will submit to DWP its agreed-upon-procedures report as set out in this Module X. These terms of engagement set out the basis on which the Reporting Accountants will sign the report.

#### **2. Glossary of terms:**

'**Appendix 1 Letter**' is the letter from DWP to the LA (in the form set out in Appendix 1 to Module X), in which DWP formally agrees to the carrying out of Further Work under the terms of Module X, and in which DWP will set out the volume of cases to be subjected to testing by the LA, and the volume of re-performance to be carried out by a Reporting Accountant, along with any variation to the Specific Test Requirements contained in Part 2 Appendix 2 of Module X.

‘DWP’ refers to the grant paying body providing the Housing Benefit subsidy and specifying the reporting framework.

‘Form MPF720A’ is the subsidy claim form annually completed by English LAs to settle its final subsidy claim for the year ended 31 March.

‘Further Work’ is defined as any testing requested by an LA and agreed to by DWP, and the associated level of re-performance testing specified by DWP, which is in addition to the specified tests under HBAP Modules 1 to 6. This testing and re-performance testing is therefore outside the scope of the HBAP terms of engagement and requires a new tri-partite arrangement to be agreed between DWP, the LA and a Reporting Accountant.

‘HBAP Further Work Report (the report)’ is the format in which the Reporting Accountants will provide their factual findings relating to further work to both DWP and the LA. Module X explains how the results of the Specific Test Requirements should be stated. Example reports are contained within Module X Appendix 3.

‘HBAP Report’ refers to the report provided by a to the LA and DWP by the statutory deadline of 30 November (or published deadline) each year pursuant to HBAP Modules 1 to 6

‘HBAP’ Housing Benefit (Subsidy) Assurance Process is the DWP reporting framework instruction designed by DWP that is sufficient to meet its purposes.

‘Local Authority (LA)’ refers to the organisation that is required to complete the Housing Benefit (Subsidy) claim form MPF720A and is the body to which DWP pays HB subsidy;

‘Reporting Accountant’ is an independent reporting accountancy firm appointed by the LA who can carry out the audit of local government and health bodies under the Local Audit and Accountability Act 2014. The register of licensed local auditors is maintained by the Institute of Chartered Accountants in England & Wales (ICAEW), and can be found [here](#).

‘Specific Test Requirements’ are the tests within HBAP Module X that the Reporting Accountant is required to conduct under this engagement (see Part 2 of this Appendix 2);

### **3. The LA’s responsibilities**

- 3.1. The LA is responsible for completing the Further Work in respect of form MPF720A under the requirements of Module X, maintaining proper records, complying with the terms of any legislation and regulatory requirements, and providing relevant information to DWP and the Reporting Accountant in accordance with the requirements of DWP.
- 3.2. The LA is responsible for ensuring it meets its requirements under the Social Security Administration Act 1992, the Social Security Contributions and Benefits Act 1992 and the instructions made or having force thereunder, in particular the Housing Benefit (General) Regulations 2006 (as amended); and



the Income-related Benefits (Subsidy to Authorities) Order 1998 (as amended), which is a Standing Order that is updated each year.

- 3.3. The LA is required to submit the Further Work in respect of completed form MPF720A to the Reporting Accountant in accordance with the timetable agreed between the parties. This should allow the HBAP Further Work report to be completed and submitted to DWP by the deadline specified in the DWP's Appendix 1 Letter to the LA. Failure to do so may result in DWP not taking this Further Work into account and settling the subsidy claim based on the HBAP Report alone.
- 3.4. The Section 151 Officer of the LA will make available to the Reporting Accountant all records, correspondence, information and explanations (including for partnerships or outsourcing of services exist for the administration, delivery and payment of HB) that the Reporting Accountant considers necessary to enable the Reporting Accountant to perform the specific test requirements of the HBAP Further Work Module X and to provide a factual findings report to the LA and DWP. The LA will provide the Reporting Accountant with such information, explanations and documentation that the Reporting Accountant considers necessary to carry out their responsibilities under this engagement.
- 3.5. The LA and DWP accept that the ability of the Reporting Accountant to re-perform the LA's testing effectively depends upon the LA providing full and free access to financial, prime documents and other records; and the LA shall obtain any such records held by a third party as are necessary for the purposes of the procedures described in DWP's HBAP Further Work Module X and make them available to the Reporting Accountant.
- 3.6. For the HBAP Further Work engagement, the LA will provide the Reporting Accountant with the relevant HBAP Report and the final or amended final claim MPF720A form for that year. If the accountant for the Further Work is different to the one carrying out the main engagement, the LA may need to provide additional information over and above the form and the HBAP Report. Any such additional information will be agreed between the LA and the Reporting Accountant during the Further Work engagement.
- 3.7. The LA shall make available information to the Reporting Accountant that it has obtained from DWP via the Customer Information System (CIS) subject to the provisions of the [HMG baseline personnel security standard](#): A guide for department contractors - Overview of the Standard - Section 1.2. Audit Firms provide DWP with confirmation that all staff facilitating the HB Assurance Process are either BPSS accredited or have had equivalent checks applied to meet or exceed the required BPSS standard. The LA does not need to separately verify that the Reporting Accountant holds Baseline Personnel Security Standard (BPSS) accreditation.
- 3.8. The failure by the LA to meet its obligations under this Further Work engagement may cause the Reporting Accountant to be unable to complete the additional work required under HBAP Further Work Module X as specified by DWP. In these circumstances the Reporting Accountant must complete the

HBAP Further Work report as far as they are able, and include in the report, the details of where the LA has failed to meet its obligations and the testing not carried out as a result. The Reporting Accountant accepts that, whether or not the LA meets its obligations, the Reporting Accountant remains under an obligation to perform the Specific Test Requirements with reasonable care.

- 3.9. The Section 151 Officer is responsible for providing the relevant information for this additional work, (including the completed Final Claim Form MPF720A as amended following testing under HBAP in accordance with Module X and for ensuring that:
- the information is accurate
  - as it applies to the HBAP Further Work engagement, the expenditure has been properly incurred in accordance with the Social Security Contributions and Benefits Act 1992 (as amended) and the instructions made or having force thereunder, in particular the Housing Benefit (General) Regulations 2006 or The Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006 (as amended)
  - the information given under this Further Work engagement is in accordance with those Acts and the instruments made or having force thereunder, in particular the Income-related Benefits (Subsidy to Authorities) Order 1998 (as amended)

#### **4. Scope of the Reporting Accountant's work**

- 4.1. The LA will provide the Reporting Accountant with such information, explanations and documentation that the Reporting Accountants consider necessary to carry out their responsibilities.
- 4.2. The Reporting Accountant will carry out the work based on DWP's HBAP Further Work framework instruction and in accordance with the 'International Standard on Related Services (ISRS) 4400 (revised) Engagements to perform agreed-upon-procedures regarding financial information' and will produce a report in the form set out in Appendix 3 of Module X. The specific tests are laid out in Part 2 of this Appendix 2, and DWP's Appendix 1 Letter to the LA.
- 4.3. For the purposes of HBAP Further Work Module X, the Reporting Accountant will not subject the information provided by the LA for checking or verification except to the extent expressly set out in the Specific Test Requirements. All information is subject to the General Data Protection Regulation (GDPR) 2018 and Reporting Accountants will observe all of their obligations under this Act and their data protection policies.
- 4.4. While the Reporting Accountant will perform their work with reasonable skill and care, the Reporting Accountant's work should not be relied upon to disclose all misstatements, fraud or errors that may exist.

- 4.5. Unless otherwise agreed, the Reporting Accountant will not visit third parties, including outsourced or contracted services, where partnership arrangements exist for the delivery of HB. Only those records held and obtained by the LA (and their partner organisations, where appropriate) to support the form MPF720A will be considered in accordance with the LA's responsibilities (see the LAs responsibilities).

## **5. Use of the Reporting Accountant's report**

- 5.1. The Reporting Accountant's report is prepared solely for the confidential use of the LA and DWP. It is solely for the purpose of submission to DWP in connection with the requirements of the HBAP Further Work engagement for the form MPF720A. It may not be relied upon by the LA or DWP for any other purpose other than in the consideration of a settlement of the relevant HB subsidy claim.
- 5.2. The drafts or the signed report shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without the Reporting Accountant's prior written consent.
- 5.3. Without imposing on the Reporting Accountant and without the Reporting Accountant assuming (or perceived as assuming) any duty or responsibility and without imposing or accepting any liability to anyone except the LA and DWP, DWP may disclose the report to others who demonstrate statutory rights of access to it. If there is a change in the Reporting Accountant from one year to the next the LA will release the HBAP Report from the previous year to the newly appointed Reporting Accountant.
- 5.4. To the fullest extent permitted by law, except for the LA and DWP, the firm of accountants, its partners and staff neither owe nor accept any duty to any person (including, without limitation, any person who may use or refer to any of DWP's publications) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on the Reporting Accountant's work or reports.
- 5.5. Neither the LA, nor DWP, nor others may rely on any oral or draft reports that the Reporting Accountant provides. The Reporting Accountant only accepts responsibility to the LA and to DWP for the final signed report only for the purpose for which it was issued.

## **6. Form of the Reporting Accountant's report**

- 6.1. The DWP has provided a template for the HBAP Further Work report in Appendix 3 to Module X.
- 6.2. DWP reserves the right, once it has received and reviewed the accountants report, to require the Reporting Accountant to provide clarification on any matter raised in the HBAP Further Work report where DWP feels there is not information to make a decision on the payment or overpayment of HB subsidy and, complete further testing where the report is not in accordance with HBAP Further Work Module X; and provide a response to DWP.

- 6.3. Once the Reporting Accountant has provided a satisfactory response on any reported matters of query requested by the Secretary of State to enable the resolution of a HBAP Further Work report issue (including an issue consequent on the Reporting Accountant failing to fulfil the requirements of Module X) and has completed their report in accordance with the HBAP Further Work reporting framework instruction, the Reporting Accountant will have fulfilled their responsibilities under these standardised engagement terms.
- 6.4. If there are any matters arising following the conclusion of this engagement, DWP will liaise with the LA directly to determine the next steps.

## **7. Liability provisions**

- 7.1. The Reporting Accountants (and any affiliated firm or sub-contractors) will perform the HBAP Further Work engagement with reasonable skill and care and accept responsibility to the LA and DWP for losses, damages, costs or expenses ('losses') caused by its breach of contract, negligence or wilful misconduct, subject to the following provisions.
- 7.1.1 The Reporting Accountant will not be responsible or liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than the Reporting Accountant, except where, it would have been reasonable for the Reporting Accountant to discover such defects in the course of performing the Specific Test Requirements.
- 7.1.2 The Reporting Accountant accepts liability without limit for the consequences of its own fraud and for any other liability which it is not permitted by law to limit or exclude.
- 7.1.3 Subject to paragraph 7.1.2 above, the aggregate liability of the Reporting Accountant whether in contract, tort (including negligence) or otherwise, to the LA and DWP, arising from or in connection with the work which is the subject of these standardised engagement terms, is capped at the amount agreed by the Reporting Accountant and the LA. Any claims, whether in contract, negligence or otherwise, must be formally commenced within 6 years after the party bringing the claim becomes aware (or ought reasonable to have become aware of the facts which give rise to the action and in any event no later than 6 years after the relevant report was issued (or, if no report was issued, when the Reporting Accountant accepted the engagement in writing). This expressly overrides any statutory provision which would otherwise apply.
- 7.2. The LA and DWP agree that they will not bring any claims or proceedings against any individual partners, members, directors or employees of the Reporting Accountant, including individuals in any affiliated firm or sub-contractor used by the Reporting Accountant to provide their services. This clause is intended to benefit such partners, members, directors and employees who may enforce this clause pursuant to the Contracts (Rights of Third Parties) Act 1999 (the Act).

- 7.3. Notwithstanding any benefits or rights conferred by this agreement on any third party by virtue of the Contracts (Rights of Third Parties) Act 1999 (the Act), the parties to the standardised engagement terms may agree to vary or rescind the terms without any third party's consent. Other than as expressly provided in these terms, the Act is excluded.
- 7.4. Where the HBAP Report is transferred to a newly appointed Reporting Accountant for the purposes of undertaking Further Work under this Module X, the liability for the contents of the HBAP Report in relation to this Further Work Module X engagement, ceases for the original Reporting Accountant.
- 7.5. Where applicable, this engagement is separate from and unrelated to the Reporting Accountant's audit work on the financial statements of the LA for the purposes of any applicable statutory or regulatory or other auditing framework and nothing herein creates obligations or liabilities regarding the Reporting Accountant's audit work or audit reports which would not otherwise exist.

## **8. Fees**

- 8.1. The Reporting Accountant's fees, together with VAT and out-of-pocket expenses, will be agreed with and billed to the LA. The DWP is not liable to pay any of the Reporting Accountant's fees.
- 8.2. Paragraph 8.1 will apply to any instance where, after the contract is formed but prior to testing commencing, the LA chooses not to proceed with the Further Work engagement, for any fees and expenses occurred to that point (for example any preparatory work undertaken by the Reporting Accountant).

## **9. Quality of service**

- 9.1. In the event that the LA or DWP wish to raise a complaint or dispute regarding the work or conduct of the Reporting Accountant, the process for complaints and dispute resolution will be set out in the contract between the Reporting Accountant and the LA. It is expected that the following steps will form part of that process as a minimum;
- Stage 1 – LA/DWP to bring dispute or complaint to the attention of the Reporting Accountant and the parties to take reasonable steps to resolve the dispute or complaint.
  - Stage 2 – escalation of the dispute or complaint by the LA/DWP to the Reporting Accountant's engagement lead or supervising accountant or another suitable senior member of the organisation, named in the contract.
  - Stage 3 – use of the audit firm's formal complaints / dispute resolution process and procedures. If this stage is reached by the LA, DWP must be informed by the LA of the nature of the issue, and steps taken to date to resolve the dispute.
  - Stage 4 – where all other attempts at mediation including stages 1 to 3 above have been exhausted, DWP and LAs may take any complaint to the ICAEW. DWP or the LA may obtain an explanation of the mechanisms that

operate in respect of a complaint to the ICAEW at <https://www.icaew.com/regulation/complaints-process> or by writing to the ICAEW at the ICAEW Professional Standards Office, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ UK.

- 9.2. For the avoidance of doubt, use of the above process must not delay the submission of the completed HBAP Further Work Report beyond the timetable set out in the Appendix 1 Letter from DWP to the LA.

## **10. Providing services to other parties**

- 10.1. The Reporting Accountant will not be prevented or restricted by virtue of the Reporting Accountant's relationship with the LA and DWP, including anything in these terms of engagement, from providing services to other clients. The Reporting Accountant's standard internal procedures should be designed to ensure that confidential information communicated to the Reporting Accountant during the course of an assignment will be maintained confidentially.

## **11. Applicable law and jurisdiction**

- 11.1. These standardised terms of engagement shall be governed by, and interpreted and construed in accordance with, English law.
- 11.2. The LA, DWP and the Reporting Accountant irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any contractual or non-contractual dispute (including claims for set-off and counterclaims) which may arise on any basis in connection with the validity, effect, interpretation or performance of, or the legal relationship established by this agreement or otherwise arising in connection with these standardised engagement terms.

## **12. Alteration to terms**

- 12.1. The LA should not ask the Reporting Accountant to deviate from the standardised engagement terms within Module X without written instruction from DWP and the inclusion of a deviation statement in the report. This does not preclude the LA from agreeing separate engagement terms with the accountant that supplement, but do not conflict with, these standardised engagement terms.
- 12.2. All additions, amendments and variations to these standardised engagement terms shall be binding only if in writing and signed by the duly authorised representatives of the parties. These terms supersede any previous agreements and representations (unless based on fraud) between the parties in respect of the scope of the Reporting Accountant's work on form MPF720A and the Reporting Accountant's report or the obligations of any of the parties relating thereto (whether oral or written) and save as set out in paragraphs below, represents the entire agreement and understanding between the parties, their affiliates or sub-contractors.

- 12.3. These terms do not affect any separate agreement in writing between the LA and the Reporting Accountant.

## **Part 2 – Testing requirements**

### **1. Introduction to testing requirements**

- 1.1. This Further Work reporting framework instruction is prepared in order to set out the terms of engagement between DWP, LAs and Reporting Accountants under which a Reporting Accountant will carry out specified checks and re-performance testing relating to the Further Work testing carried out by an LA with the agreement of DWP, and provide a report of the findings to DWP and the LA.
- 1.2. The Specific Test Requirements in relation to Module X are set out in this Part 2 of Appendix 2 to Module X (Specific Test Requirements).
- 1.3. The agreement of DWP, and the levels of testing and re-performance testing to be carried out will be communicated to the LA in the form of a letter such as that included in Appendix 1 of Module X.
- 1.4. This Further Work reporting framework instruction has been prepared in accordance with the **International Standard on Related Services (ISRS) 4400(Revised) Engagements to perform agreed-upon-procedures regarding financial information**. It sets out DWPs requirements for an engagement to be undertaken by a Reporting Accountant for Further Work arising in a particular subsidy year, as may be requested by an LA.
- 1.5. At the request of the LA, the Reporting Accountant will provide a report in the format contained in Module X, Appendix 3 on the completion of Further Work, as specified by DWP to the LA.

### **2. Role of DWP**

- 2.1. DWP is solely responsible for determining the sufficiency of its reporting framework instruction, including the process, sample size, methodology and timescales and any other Specific Test Requirements for Further Work from both the LA and the Reporting Accountant to meet its purposes.
- 2.2. DWP will provide the HBAP Further Work Module X and other guidance based on the current claim form MPF720A, the Social Security Contributions and Benefits Act 1992 and the instructions made or having force thereunder, in particular the Housing Benefit (General) Regulations 2006 (as amended); and the Income-related Benefits (Subsidy to Authorities) Order 1998 (as amended), which is a Standing Order that is updated each year.
- 2.3. DWP will complete the proforma letter (Appendix 1) following discussions with the LA and provide sufficient information for the LA to carry out the specified testing and for the Reporting Accountant to carry out the specified re-performance testing.

- 2.4. DWP will also provide support, where required, to clarify the legislation and regulations. This service will be available to both the LA and the Reporting Accountant in order to ensure that the reporting deadline can be met.
- 2.5. DWP may put into place an external quality assurance mechanism to monitor the quality of the Reporting Accountant's work in accordance with an agreed framework with an appropriate body.

### **3. Role of the LA**

- 3.1. Any requests for Further Work will originate from an LA. Any such request must be made in writing to DWP and provide sufficient information to enable DWP to make a decision on whether to agree to the request.
- 3.2. On receipt of an Appendix 1 Letter, the LA must procure the services of a Reporting Accountant to undertake the specified sampling, checks and re-performance testing set out in this Further Work Module X, in order to meet the deadline for submission of a report on Further Work agreed between the LA and DWP. This procurement must be completed before sampling and testing commences.
- 3.3. If the LA fails to appoint a Reporting Accountant, or the agreed timescales for completion of Further Work are not achieved, the Secretary of State may direct that the results of Further Work will not be considered and move to settlement of the HB Subsidy Claim based on the findings from the HBAP Report issued pursuant to HBAP Modules 1 to 6.
- 3.4. The LA is responsible for completing the testing required under this module, maintaining proper records, complying with the terms of any legislation and regulatory requirements, and providing relevant information to DWP and the Reporting Accountant in accordance with the requirements of DWP. This should include provision of the relevant section of the LA's HBAP Report, the Final Subsidy Claim Form MPF720A (as amended during HBAP).
- 3.5. The LA, by entering into this agreement with DWP, and a Reporting Accountant, undertakes to complete the agreed testing specified in this module, and provide all testing results to the Reporting Accountant in the agreed format, to enable the Reporting Accountant to complete the specified report.
- 3.6. By undertaking Further Work, the LA agrees to the results of such work being used to inform the Secretary of State's decision on the settlement of the final subsidy claim and acknowledges that the settlement of the Final Claim is at the Secretary of State's discretion.

### **4. Role of the Reporting Accountant**

- 4.1. The Reporting Accountant will agree with the LA, the format for the recording of testing carried out by the LA, to ensure that testing and results are recorded in a way that allows the Reporting Accountant to complete the Further Work report.



- 4.2. Where a random sample is required to identify cases for testing, the Reporting Accountant will select the sample cases to be tested by the LA.
- 4.3. The Reporting Accountant is required to perform the checks and re-performance testing specified in Module X and the specific letter to the relevant LA. On completion of these Specific Test Requirements, Reporting Accountants should report their findings to DWP in the format set out in Module X, Appendix 3 (Further Work Report).
- 4.4. For the avoidance of doubt, this Further Work engagement under Module X is treated as a stand-alone engagement and report. The Reporting Accountant appointed for this Further Work engagement is not required to comment on the HBAP Report pursuant to HBAP Modules 1 to 6, whether or not they are the same or a different Reporting Accountant.

## **5. The standardised engagement terms**

- 5.1. The standardised engagement terms of this DWP reporting framework arrangement will form a tri-partite engagement between DWP, the LA and the Reporting Accountant. It is for the LA to appoint a Reporting Accountant to undertake this work.
- 5.2. DWP will not sign individual tri-partite engagement letters. DWP's agreement to enter into a tri-partite engagement with the LA and Reporting Accountants on the basis of Module X, is confirmed by virtue of its communication in writing to the LA that Further Work can be undertaken and specifying the level of testing to be undertaken. Reporting Accountants should only enter into the tri-partite engagement terms if they are willing to enter into the engagement as published by DWP.

## **6. Specific Test Requirements**

- 6.1. The Specific Test Requirements that the Reporting Accountant is required to undertake are set out below. For the avoidance of doubt, Further Work testing will be carried out by the LA and recorded in the format agreed with the Reporting Accountant.
- 6.2. Prior to the commencement of Further Work Testing, the Reporting Accountant will carry out the following 'Pre-Testing' checks;
  - That the population (or sub-population) that was used for testing specified under HBAP Modules 1 to 6 is the same as the population to be used for the Further Work testing. This can be proven by confirming the case volumes and total value.
  - That the list of cases from the population (or sub-population) that were used for testing specified under HBAP Modules 1 to 6 are included in the population but are separately identified as having been tested previously (either as initial, additional or CAKE testing under HBAP).

- 6.3. If the Reporting Accountant is unable to positively verify the above tests, they should inform the LA of the issue, and request that the LA rectifies the error and re-submits the information to allow the tests to be carried out.
- 6.4. Further Work testing must not commence until the above tests have been passed.
- 6.5. Where a sample is required from a larger population, the Reporting Accountant will select a random sample. The sample should exclude any cases that have previously been used for testing under HBAP Modules 1 to 6.
- 6.6. The volume of cases to be tested (either the entire population or sample size) will be specified by DWP in its Appendix 1 Letter to the LA.
- 6.7. Following completion of the Further Work testing by the LA, the Reporting Accountant will carry out the following tests:
  - a check that the population, and where appropriate the sample, contains all the cases identified at the pre-testing stage (and no additional cases).
  - re-performance of the LA tests on a random sample of cases. The level of re-performance testing will be specified by DWP in its Appendix 1 Letter to the LA.
- 6.8. The Reporting Accountant will carry out the re-performance testing, and other tests specified above according to a timetable agreed with the LA, to enable the reporting deadline to be met.
- 6.9. All Further Work carried out under this arrangement will be done in accordance with the testing requirements set out in this Module X and by the DWP in the Appendix 1 Letter to the LA.
- 6.10. Errors found during Further Work which do not relate to the error being tested for under the limited scope of Module X, should not be reported on.

## **7. Structure of the HBAP Further Work report**

- 7.1. The required reporting format, which will be in the form of an Agreed-Upon-Procedure's format, is set out in Appendix 3 in this Module X.
- 7.2. The standard HBAP Further Work report structure must be used for each report.
- 7.3. The HBAP Further Work report should leave DWP in no doubt about the details of the findings, which should be presented clearly and unequivocally. The HBAP Further Work report needs to include:
  - test findings (from work carried out by the LA). This will include; the number of cases and value of the original population or subpopulation; the number of cases and value of the sample selected and tested by the LA; the number of cases and value for any cases that the LA testing identified as being incorrect; the value of errors identified by the LA testing.

- changes to the value of the cell as a result of LA testing.
  - values for any compensating cells or impacts on other cells.
  - details of any errors found by the Reporting Accountant during re-performance of the LA's testing, including the nature of the error, the value of the errors and the value of the sample (where applicable) and the value of the population or sub-population tested.
  - confirmation that checks carried out in line with the 'Specific Test Requirements' section of Module X Appendix 2 have been carried out and the results of those checks.
- 7.4. DWP will use this information to decide what further action is required. For example, it may decide to settle the claim based on the original test findings from the HBAP Report, or take into account the Further Work completed, in whole or in part.
- 7.5. If the Reporting Accountant's report is inconsistent with the requirements of HBAP Module X, the DWP will require re-submission of the associated parts of the report in a form consistent with HBAP Module X requirements.

## **8. Report submission**

- 8.1. The deadline for completion of Further Work, including testing, re-performance testing and the HBAP Further Work Report, will be set by DWP in its Appendix 1 Letter to the LA. The DWP's standard approach will be to set that deadline 12 weeks from the date of the letter agreeing to Further Work. Any variation to this approach will be agreed in writing by DWP, either in the Appendix 1 Letter or under separate cover.
- 8.2. Reporting Accountants will discuss their findings with the LA (within a mutually agreed timescale) to allow the LA sufficient time to comment on the factual accuracy of the report before the deadline for submission of the report to DWP.
- 8.3. Reporting Accountants will then send the final report directly to DWP to arrive no later than the reporting deadline specified above, with a copy sent to the LA.
- 8.4. The HBAP Further Work report may be submitted as a protected PDF (or similar) document, using the letterhead of the Reporting Accountant's corporate design.
- 8.5. The Reporting Accountant should send the final HBAP Further Work report, along with a copy of the Appendix 1 Letter to DWP by email to [lawelfare.lapaymentsandsubsidy@dwp.gov.uk](mailto:lawelfare.lapaymentsandsubsidy@dwp.gov.uk) or other address as may be specified on the Appendix 1 Letter to the LA.
- 8.6. Once the HBAP Further Work report has been submitted to the DWP, and the DWP is satisfied that it contains sufficient information for the Secretary of

State to make a decision based on the report, the Reporting Accountant will have fulfilled their responsibilities under these standardised engagement terms.

## **9. References**

9.1. Reference to the following source documents is necessary to complete the tests:

- Housing Benefit Subsidy Assurance Process Modules 1, 2, 5 and 6 (Module 3 will be issued directly from DWP to users)
- [Housing Benefit Subsidy Guidance Manual](#) as amended each year
- [Social Security Administration Act 1992](#)
- [The Income-related Benefits \(Subsidy to Authorities\) Amendment Order](#) (as amended)
- Notes on completion of claim form MPF720A – Final Subsidy Claim 2022-23
- Housing benefit 2022-23 Final Subsidy Claim (MPF720A) provided by the LA

### **Appendix 3: HBAP Further Work report**

Model letter from Reporting Accountant to DWP and LA on an engagement for further assurance work.

This letter may be sent as a signed pdf document on the firms letterheaded paper by email to [lawelfare.hbassurance@dwp.gov.uk](mailto:lawelfare.hbassurance@dwp.gov.uk)

Dear Sir/Madam

**[Name of Local Authority] Housing Benefit Subsidy claim [financial year]  
Further Work engagement.**

I am writing to you in connection with the above.

#### **Respective responsibilities of the Local Authority and the Reporting Accountant**

We conducted our engagement in accordance with Housing Benefit Assurance Process Further Work Module X issued by the Department for Work and Pensions (DWP), which highlight the terms under which DWP has agreed to engage with Reporting Accountants.

The Section 151 Officer of the Local Authority (LA) has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. They are also responsible for ensuring that the LA maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the LA. It is also the Section 151 Officer's responsibility to extract relevant financial information from the LA's accounting records, obtain relevant information held by any officer of the LA and provide the relevant information in accordance with the relevant framework set out by DWP [state titles and dates of relevant documents].

#### **Our approach**

[Detail of the work undertaken

The Reporting Accountant outlines the agreed work parameters between the LA and the accountant.]

On [*date of agreement*] an agreement was made between DWP and the Local Authority (LA) that the LA would undertake Further Work on the above-named Housing Benefit Subsidy claim.

On the basis of your letter to the LA dated [date of agreement letter] this company was engaged as a Reporting Accountant for this work only.

The details of the work completed by this company in compliance with the engagement are set out in this letter.

We were asked to perform the [xxxx] procedures as detailed in the [DWP agreement letter] and our engagement letter.

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

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

Our engagement was undertaken in accordance with the terms of our engagement letter dated (date) and in accordance with the International Standard on Related Services 4400 (Revised) applicable to agreed-upon procedures engagements. This engagement does not constitute an audit in accordance with International Standards on Auditing (UK and Ireland) or a review in accordance with International Standards on Review Engagements (UK and Ireland) and, as such, no assurance is expressed.

### **Inherent limitations**

We draw no conclusions from the engagement work we have completed but have stated the findings of the work completed by the LA and the re-performance testing completed by us in accordance with the instructions in your letter.

Our report is prepared solely for the confidential use of the LA and the DWP and solely for the purpose of facilitating this engagement only.

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

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

[For auditor of LA add:

Our audit work as the statutory auditors of the annual financial statements of (name of LA) is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. This engagement will not be treated as having any effect on our separate duties and responsibilities as (name of LA)'s external auditors. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than (name of LA) and (name of LA)'s members as a body, for our audit work on the statutory financial statements, for our audit reports, or for the opinions we have formed.]

## Findings

[LA information submitted to the Reporting Accountant:

- Original population or sub population
  - Value of population
  - Number of cases
- Sample selected and tested by LA
  - Value of sample
  - Number of cases
- Cases found by the LA to be in error values and numbers
- Records made by the LA of changes to cell values
  - Including impact and compensating cell values
- Results of re-performance testing including:
  - Nature of error
  - Value of error
  - Value of re-performance sample

If a population is defined, then confirmation that the sample contains the appropriate claims.

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

Confirmation that the LA provided the results in the prescribed manner.

Confirmation that the Reporting Accountant completed the re-performance work and provide details of the testing results.

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

The content of this report and findings has [*not*] been agreed with officers of the LA.

Yours faithfully

[Name of accountancy firm]