

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No 10

meeting date: 25 JULY 2018
title: AUDITOR APPOINTMENT – HOUSING BENEFIT ASSURANCE PROCESS
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1. PURPOSE

1.1. To inform members of the appointment of Grant Thornton as the council's auditors for the Housing Benefit Assurance Process (HBAP).

1.2. Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified.
- Corporate Priorities – a well-managed Council.
- Other Considerations – none identified.

2. BACKGROUND

2.1. Following the abolishment of the Audit Commission, the statutory functions for the certification of the Department of Work and Pensions (DWP) Housing Benefit subsidy claims were delegated to the Public Sector Audit Appointments Limited until March 2018.

2.2. Following the expiration of the transitional arrangements, Local Authorities now have to appoint their own external accountant/auditor to provide assurance over their Housing Benefit Subsidy Grant claim for 2018/19 and future years.

2.3. There was a deadline of 2 July 2018 set by the DWP for informing them of who we have appointed as our auditors for the 2018/19 claim.

2.4. The attached document provides details of the quote received from Grant Thornton for this work and we have appointed them on this basis for the 2018/19 subsidy claim audit.

3. AGREED FEE

3.1. A fee has been accepted as detailed in the attached document based on Grant Thornton undertaking what is known as the 'discovery' testing. This fee is £4,995 with the addition of a day rate of £835 for some known additional work that will need to be undertaken (specific timeframes unknown until the work is satisfactorily completed).

3.2. The day rate will also be charged for other **potential** additional work which may not be needed to be undertaken and will be dependent on the findings as the audit progresses.

4. CONCLUSION

4.1 From the 2018/19 Housing Benefit Subsidy claim we are now required to appoint our own auditor. Grant Thornton have been appointed for 2018/19 at a rate of £4,995 plus a day rate of £835 for all additional work required.

4.2 We have notified DWP of our appointment within the required deadline.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA15-18/LO/AC
13 July 2018

BACKGROUND PAPERS

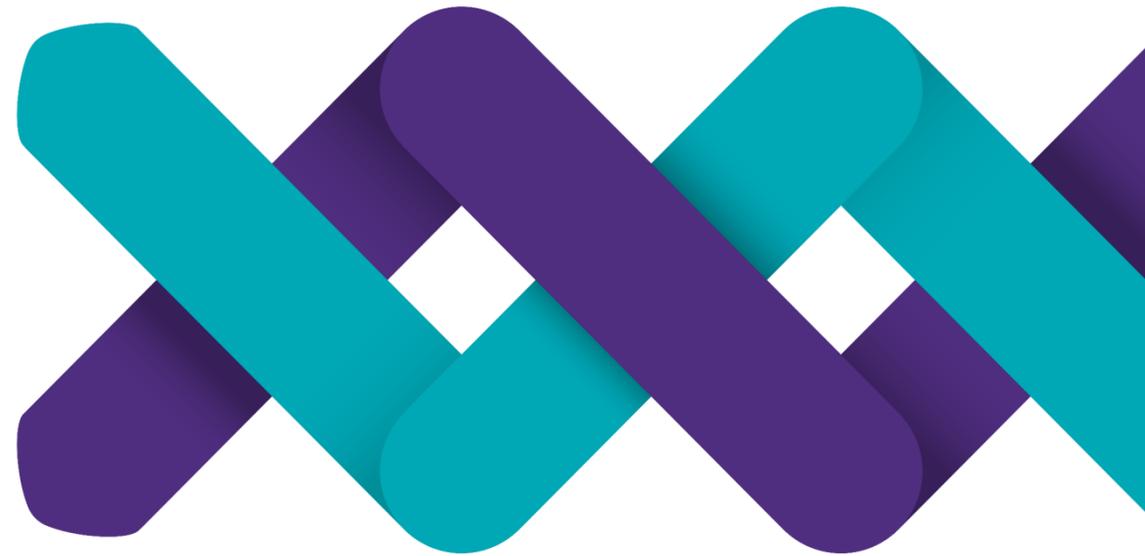
None

For further information please ask for Lawson Oddie.

Ribble Valley Borough Council

Appointing a reporting accountant for completion of the Housing Benefit Assurance Process (HBAP)

27 June 2018



Changes to arrangements – 2018/19

What is changing?

Following the abolishment of the Audit Commission, the statutory functions for the certification of the Department of Work and Pensions (DWP) Housing Benefit subsidy claims were delegated to the Public Sector Audit Appointments Limited until March 2018. When the transitional arrangements expire, Local Authorities will have to appoint their own external accountant to provide assurance over their Housing Benefit Subsidy Grant claim.

When does the change take effect?

The Council will need to appoint their own external accountant for the certification of the 2018/19 subsidy claim.

The DWP initially set a deadline of 1 March 2018 for Authorities to confirm appointments, however due to ongoing consultation between the DWP, the Institute of Chartered Accountants in England and Wales (ICAEW) and audit firms this deadline has been extended. The confirmed deadline is now 2nd July 2018.

Where can I find further information?

With the impending changes to the approach fast approaching, it is important that you have a clear view of what this means for your Local Authority in the future. In September 2017 Grant Thornton jointly produced a webinar with the DWP which outlines the position in relation to Housing Benefits procurement. The video can be viewed at the following link

<https://www.grantthornton.co.uk/en/insights/the-housing-benefit-subsidy-claims-webinar-summarised/>

Our wider delivery of housing benefit subsidy certification work

Grant Thornton UK LLP's public sector assurance team is the largest such team in the UK.

Our UK team is made up of over 300 staff who provide assurance and advisory services to over 40% of local authorities in England, either through statutory audit appointment or through the delivery of non-audit or advisory services. The benefit this brings is deep-rooted experience of delivering Housing Benefit (subsidy) certification assurance work, and access to resources to deliver the service in accordance with your requirements and the deadline for reporting.

Given the complexity of housing benefit (subsidy) arrangements getting it right first time is critical both in terms of the customer recipient getting their correct benefit entitlement and our approach to this assurance work.

Grant Thornton annually certifies approximately 100 Housing Benefit subsidy claims making us the largest firm undertaking this type of assurance work.

This brings the benefit of an unrivalled technical expertise and insight as well as additional resilience, coordination of national issues and investment in the skills, tools and technology needed to undertake this work.

We have:

- detailed knowledge of all Housing Benefit systems and approaches;
- specialist knowledge of the audit testing requirements; and
- a collaborative audit approach focused on helping you get it right first time.

We use locally based teams to ensure consistency of staff, who have extensive knowledge and experience in housing benefit (subsidy) certification assurance work.

Our technical expertise in delivering this work for our clients

Our dedicated Housing Benefit certification service is led by our UK Grants Assurance Lead, Nick White. Nick is supported by Andy Davies as National Housing Benefit Lead, Regional HB Leads and a network of twenty Housing Benefit Champions; together support the practice to deliver 100 HB certification assignments annually. The benefit this brings to the Council is technical expertise and insight. Annually we deliver HB workshops for our clients which allows us to work together through any changes in regulations as well as discuss any changes to the HB certification instructions and the impact this may have in delivering the work required.



Nick White
UK Grants Assurance Lead



Andy Davies
National HB Lead

Nick meets with the DWP regularly and has a close working relationship with them. Nick also supports the firm's technical team who work closely with the ICAEW. These relationships are key to ensuring we share current technical developments with our teams and with our clients. This year, we held workshops with the DWP on the changes to the HB auditor procurement process for client and non-clients and we recorded a webinar on the future arrangements for HB certification in conjunction with the DWP, which demonstrates our investment and commitment to the sector. Nick and Andy have been influential in working with the DWP and ICAEW to develop a framework for the procurement of this work for 2018/19.

Our Housing Benefit Champions play a key role in ensuring we deliver a high quality, and consistent service, across all of our housing benefits certification work. They act as our first contact for technical queries and support our local teams in delivering the work to the required standards set by the Department of Works and Pensions (DWP). This includes reviewing all qualification letters to ensure they correctly represent the results of the work we have undertaken, and that the qualification letter meets the DWP requirements. Our Regional HB Leads and Housing Benefit Champions have delivered client workshops and one-to-one training to Council officers on the certification process and the use of the DWP workbooks required for delivery of the work.

This network of Housing Benefit (subsidy) certification experts enables us to be responsive to ad-hoc client queries and to design efficient and effective work programmes. If errors are identified during the course of our certification work, we work closely with our clients to agree the additional audit testing required to comply with DWP requirements.

Our compliance and quality rating

Our National Assurance Service reviews a sample of completed Housing Benefits files each year to ensure that teams have complied fully with all quality standards, and that audit files and reports meet DWP requirements. We share the feedback with audit teams, including good practice and learning points identified, as part of our national training programme.

In 2017, we reviewed eight completed engagements. Four of these files were assessed as 'good with minor improvements required', and four files were assessed as 'Good with no improvements required.'

Our files were also assessed by Public Sector Audit Appointments (PSAA) Ltd, with the scores awarded confirmed. The results were published in PSAA's Annual Regulatory and Compliance report. This shows that Grant Thornton continues to deliver high quality Housing Benefits work that meets the needs of all its clients.

The comparative performance of each firm based on 2016/17 Housing Benefit Quality Monitoring Reviews overseen by PSAA, illustrates Grant Thornton's commitment to compliance and quality with an average score of 2.50, compared to an all-firm average of 2.20 (a maximum score of 3 is 'good', with 2 being 'acceptable with limited improvements required').

We know going forward the external quality assurance regime will fall outside of PSAA remit, but the Quality Assurance Department (QAD) is planning to develop arrangements to ensure the quality regime continues in some form.

In addition, we have annual certification that our quality management system, including those on our assurance work, meets the requirements of standard ISO 9001:2015 Quality Management System.

It confirms that we have arrangements in place and operate according to those arrangements. It drives continual improvement. Retention of this accreditation is external independent validation that we put quality at the heart of everything we do.

Compliance with information governance: There are heightened risks around information governance and data protection for local authorities especially given the current cyber-attack threat, information governance breach fines, and compliance with General Data Protection Regulations from May 2018. We are able to do the relevant work on-site at your offices using your secure terminals, which greatly reduces your risk on remote access to sensitive information. Where we need to exchange sensitive information we can use secure link technology, which ensures that shared information can only be accessed by the relevant recipient. All our people are subject to Disclosure and Barring Service (DBS) checks. We carry out regular on-line courses on risk and compliance matters including legislative changes and specific sector matters such as data protection and information security.

UNDERSTANDING THE REQUIREMENTS AND YOUR BUSINESS

Methodologies

Our work on the councils' Housing Benefit (subsidy) assurance process will be “agreed upon procedures engagements”, with DWP issuing specific instructions annually. The DWP have issued framework instructions for Housing Benefit Assurance Process 2081/19 (HBAP). The requirements are similar to the existing HB COUNT arrangements and the DWP have indicated that they are not proposing to create additional work so only minor changes would be expected. We anticipate the key procedures will include the following modules:

Module 1

This reporting framework instruction sets out the Department for Work and Pensions' (DWP) requirements for an engagement to be undertaken by a reporting accountant in accordance with the *International Standard on Related Services (ISRS) 4400 Engagements to perform agreed-upon-procedures regarding financial information*.

Module 6

This sets out the overall approach and testing strategy to be applied by reporting accountants. This module contains the detailed certification instructions.

Module 2

Confirmation that the benefit parameters and allowances have been correctly updated

Module 3

Workbooks used to test the entitlement an authority uses for new and amended claims, with additional checks on benefit calculation and cell allocation.

Module 5

Confirmation subsidy has been completed using recognised software version and benefit grant has been reconciled to benefit paid.

Note: DWP have indicated the existing HB Count module 4 (Housing Benefit Analytical Review Template) will not longer be a requirement under HBAP for 2018/19.

At the planning stage, we will share instructions with you and agree an overall approach. Where a council elects to complete some audit procedures, we will provide the tools and schedules, and guidance and training on their completion, we will re-perform a sample of officer's work. Where we complete procedures we will specify, in advance, the subject population, the sample, and the timing and evidence requirements.

We will have close out 'lessons learnt' meetings with the appropriate council staff to address any identified training needs and capture ideas for further improving the process.

Working with our clients

Who completes the testing?

The approach to who undertakes the discovery testing and 40+ testing of prior year issues or for errors identified in the discovery testing is different at individual clients. At some clients, Grant Thornton undertakes all of the testing, at others it is a combination of ourselves and the client's internal audit or benefits staff, and for some clients they do all of the testing. Where the client does the testing we will always re-perform a percentage of this work. We work closely with our clients at the planning stage of the certification process to determine whether they are able to do any of the testing.

What impact does this have?

This is an important decision, as testing undertaken by the council will help reduce the fee, but this is offset by the need to make client staff (or internal audit staff) available to do the testing to the required DWP standards.

No matter whether the council staff, internal audit or Grant Thornton do the testing it must be completed to the same high quality standards to meet the DWP requirements.

What support will you provide?

We have experience of working with clients through workshops and ongoing assistance training to show them how to complete the testing workbooks to the required DWP standard.

We deliver Housing Benefit workshops for our clients, which allow us to work together through any changes in regulations and to discuss any impact to the Housing Benefit certification instruction.

Our quotation to provide HBAP services to Ribble Valley Borough Council

Our fixed price fee for this work for 2018/19 is £4,995 + VAT. This fee is based on Grant Thornton undertaking the initial discovery testing and completion of HBAP in respect of this detailed sample testing. The completion of other DWP certification requirements, the re-performance of CAKE testing, any additional testing arising from the initial discovery testing, or DWP follow up work, will be charged at a day rate of £835 + VAT.

For comparison, we have also indicated the proposed fee if the Council undertake the initial discovery testing and completion of HBAP where we will undertake quality and re-performance work with resultant reductions in external audit testing time. Our composite day rate would be applicable for the completion of other DWP certification requirements, the requirements of CAKE testing, any additional testing or DWP follow up work required.

	GT Discovery	RVBC Discovery
Fee	£4,995	£500
Composite Day Rate	£835	£835

Next Steps.....

Contact details

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If you would like to discuss further your certification needs, including the various options available and potential fees please do not hesitate to contact us.

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National HB Lead

Andy Davies

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