

Housing Benefit Subsidy Audit – Appointment of Independent Reporting Accountant

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Wards affected: All

PROPOSED DECISION

To APPOINT the Independent Reporting Accountant for the purpose of performing the housing benefit subsidy audit for 2018/19 in line with the Department for Works and Pension (DWP) guidance.

Corporate Implications

Wycombe is required to engage an Independent Reporting Accountant to undertake on behalf of Department for Works and Pensions the Housing Benefit (HB) subsidy assurance process. The housing benefit subsidy certification process is in line with DWP Circular HB S1/2017).

The assurance process, as prescribed by the DWP's Housing Benefit Assurance Process (HBAP) is prepared in accordance with and to ensure compliance with International Standard on Related Services (ISRS) 4400 and the requirement to perform agreed upon procedures regarding financial information.

Executive Summary

1. For 2018/19 Ernst & Young LLP (EY) have been appointed to undertake the external audit of the Councils financial statements under a formal tender process, administered by Public Sector Audit Appointments (PSAA), under the Local Audit and Accountability Act 2014. This is for a 5 year period with an extension option of 2 further years.
2. This arrangement for 2018/19 and beyond, does not cover the provision of an Independent Reporting Accountant, required for the certification work on the Housing Benefit subsidy which is undertaken on behalf of the Department for Work and Pensions (DWP); this appointment needs to be made separately.
3. As EY have been appointed as the Council's external auditors, and are the current incumbent provider for both the financial accounts and the HB subsidy reviews, then for the reasons of service continuity and cost efficiency, in that EY are familiar with the Council's preparedness for the HB subsidy review and are conversant with the requirements of the role of the Independent Reporting Accountant, it aids consistency to engage EY for this role as well.
4. EY will be engaged by the Council to comply with the HB subsidy assurance procedures, as prescribed by the DWP through the Housing Benefit Assurance Process (HBAP). HBAP informs the testing and reporting requirements to be followed by the Independent Reporting Accountant when undertaking the engagement work for the Council to enable its claim for HB subsidy.

5. EY have submitted their fee proposal for 2018/19 which amounts to £25,950. This figure is based on the amount of work they are required to undertake when performing the assurance role. There is a considerable element of cost variability, due to the bases used in calculating the annual fee e.g. consists of a base fee plus a variable amount for the first set of extended testing, then a different variable amount for further testing. It is also predicated on a similar range of tests to 2017/18
6. By comparison in 2016/17, EY's base certification fee was £29,145, which was based on the fee for 2014/15 when additional fees were charged for additional sample testing.
7. The proposed fee for 2017/18 is £16,833 and the actual cost will be, subject to the level of testing they are required to undertake and the level of errors detected in completing the 2017/18 subsidy review. It is anticipated given the work undertaken by the Revenues Team during 2017/18 to minimise the level of processing error that the actual cost will be in line with the proposed fee of £16,833. EY fees were reported in their Annual Audit 2018/19 report, presented and approved by the Audit Committee in May 2018.
8. A Letter of Engagement between the EY and the Council will be entered into.
9. At the Audit Committee, 31st May 2018, it was agreed that the Audit Committee's Terms of Reference would be amended, subject to Council approval, to reflect the engagement of the Independent Reporting Accountant for the Review of the Housing Benefit Subsidy Audit, principally: *Reviewing and considering the results of the external audit of the Housing Benefit Subsidy (in line with the Department for Works and Pensions Guidance) and its cost effectiveness and the audit fee.*