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Statement of Requirements

1. PURPOSE

- 1.1 This document sets out the Services the Department for Work and Pensions (DWP) requires to procure for the provision of a Quality Assurance Process engagement in relation to the Housing Benefit (Subsidy) Assurance Process (HBAP).

2. BACKGROUND TO DWP

- 2.1 DWP, is a major Government Department responsible for customer delivery and policy formation on all aspects of the Government's welfare to work strategy and social security provision.
- 2.2 This includes the provision of welfare to work and social security benefits to individuals with health conditions and disabilities and those over working age. The Department has 80,000 staff to deliver £165bn of payments annually, comprising of pensions, welfare to work and social security benefits. In 2018/19, Housing Benefit accounted for £20bn of those payments.
- 2.3 For more information on the work and overall objectives of the Department, please view our single business plan, published at:

<https://www.gov.uk/government/publications/department-for-work-and-pensions-single-departmental-plan/department-for-work-and-pensions-single-departmental-plan--2>

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT BACKGROUND

- 3.1 Housing Benefit is delivered on behalf of DWP by Local Authorities (LAs) across Great Britain. The benefit expenditure paid to Housing Benefit claimants by LAs is then reimbursed to LAs by DWP based on estimates, with a reconciliation taking place at the end of each financial year. LAs submit their end of year claim on form (MPF720) by 30th April each year, and this is usually referred to as the 'HB Subsidy Final Claim'.
- 3.2 For each LA, the completed MPF720, and supporting audit trails on which it is based, is then subjected to independent testing and assurance work carried out by accountancy firms on the Local Public Audit Register, resulting in a report being sent to DWP (the HBAP Report), and where appropriate an amended MPF720.
- 3.3 Historically, the testing and assurance of the MPF720 was managed by Audit Commission, and following its abolition by Public Sector Audit Appointments Ltd (PSAA) under transitional arrangements in England, by Wales Audit Office in Wales and by Audit Scotland in Scotland.

- 3.4 The transitional arrangements in England ceased in December 2018, and the DWP have developed the Housing Benefit (Subsidy) Assurance Process (HBAP) to replace them.
- 3.5 HBAP is based on tri-partite arrangements between DWP, English LAs and Accountancy firms. Under HBAP, DWP specify the testing regime to be carried out as an Agreed Upon Procedure (*International Standard on Related Services (ISRS) 4400 Engagements to perform agreed-upon-procedures regarding financial information refers*), and it is for individual LAs to ensure they have appointed an accountancy firm to act as a 'Reporting Accountant' to carry out the tests specified under HBAP. The commercial arrangement is solely between the LA and the Reporting Accountant, but must include the standard terms and testing requirements specified by DWP.
- 3.6 Included within the standard terms set out in HBAP Module 1, is a responsibility on DWP to “*put in place a quality assurance mechanism to monitor the quality of the reporting accountants work in accordance with an agreed framework with an appropriate body*”. This specification sets out the DWP’s requirements for that framework.
- 3.7 By the 30th November each year, the Reporting Accountant must provide DWP and the LA with a report of factual findings, ‘the HBAP Report’ setting out the results of testing, the impact on benefit expenditure and providing sufficient detail for DWP to determine the impact on HB Subsidy and settle final claims with LAs.
- 3.8 The settlement of claims and the effectiveness of HBAP is of particular interest to National Audit Office (NAO) as part of the wider audit of DWP accounts each year.
- 3.9 For the 2018/19 financial year, the HBAP testing will be carried out by 7 accountancy firms across multiple locations. It is expected a similar number of accountancy firms will be contracted for subsequent years, with many LAs having agreed multi-year engagements. There are 326 LAs who will be subject to HBAP in England (Housing Benefit Subsidy claims for LAs in Scotland and Wales will be audited by their respective audit bodies using a similar approach to HBAP and are therefore **not** included in this requirement).

OVERVIEW OF THE REQUIREMENT

- 3.10 This requirement is to provide a quality assurance review of work carried out by the accountancy firms on English LAs to satisfy DWP and NAO that HBAP is being consistently and correctly applied across the sector, and within individual accountancy firms across multiple locations.

- 3.11 The HBAP testing will be carried out between May and November each year, with a reporting deadline of 30th November. It is anticipated the quality assurance engagement under this specification will be completed between January and March immediately following the reporting deadline.
- 3.12 It is expected that this specification for Quality Assurance work will, subject to contract, cover a quality assurance of the subsidy claims and HBAP testing for the years 2018/19, 2019/20 and 2020/21.

4. DEFINITIONS

Expression or Acronym:	Definition:
Agreement	Means the services to be supplied as specified in the Specification.
CAKE	Cumulative Assurance Knowledge and Experience – the testing carried out under HBAP relates to errors identified in previous years.
FRC	Financial Reporting Council
HBAP	Housing Benefit Assurance Process
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAS	The Institute of Chartered Accountants of Scotland
IESBA	International Ethics Standards Board for Accountants
ISRS	International Standard on Related Services
LA	Local Authority
MPF720	The Housing Benefit Subsidy Final Claim Form
Month	Means calendar month
NAO	National Audit Office
PSAA	Public Sector Audit Appointments Ltd
Reporting Accountant	The Reporting Accountant is the person who carries out the tests specified under HBAP
Services	Means the services to be supplied as specified in the Specification.
RSB	Recognised Supervisory Body

5. THE REQUIREMENT

- 5.1 DWP is seeking a supplier able to access and review accountancy firms carrying out HBAP engagements to provide independent challenge, and bring cross sector experience of best practice to bear in support of the DWP Housing Benefit Assurance Team.
- 5.2 By doing so, the DWP Housing Benefit Assurance Team seeks to provide necessary assurance to Senior Responsible Officers, the DWP Accounting Officer and Ministers, and the National Audit Office and ultimately Parliament that Housing Benefit is being correctly administered by LAs, and that Housing Benefit Subsidy is being correctly claimed by LAs.
- 5.3 This requirement is to provide a quality assurance review of work carried out by the accountancy firms on English LAs. The purpose of this Quality Assurance engagement is to provide DWP, LAs and NAO with assurance that HBAP is being correctly implemented and consistently applied by accountancy firms are engaged as Reporting Accountants to carry out HBAP testing.
- 5.4 The quality assurance engagement is expected to fall into two broad areas of work:
- 5.4.1 the development, issue and review of a questionnaire to test accountancy firms are using correct versions of HBAP modules, and adequate internal controls are in place within each firm to ensure the correct and consistent application of HBAP. This may involve a review of supporting evidence such as internal documentation and guidance for Reporting Accountants and management checks. The supplier may undertake visits to individual accountancy firms in order to carry out the reviews.
- 5.4.2 to sample a selection of HBAP reports and supporting working papers from the accountancy firms to ensure HBAP modules are being fully and correctly completed, and findings from the HBAP testing are being fully and accurately reflected in HBAP reports as per the DWP's testing instructions contained within HBAP Modules. This may require site visits to accountancy firms, but should not entail visits to individual LAs.
- 5.5 The requirement is for the Supplier to work with DWP to develop and implement a quality assurance process to provide this assurance by:
- 5.5.1 Working jointly with DWP to develop a detailed questionnaire for completion by accountancy firms.

- 5.5.2 Issuing the agreed questionnaire to accountancy firms and collecting and collating the responses.
- 5.5.3 Reviewing responses to the accountancy questionnaire, identifying areas for concern and making recommendations on improvements to accountancy firms.
- In reviewing responses to the questionnaire and site visits, the Supplier will evaluate the controls in place for suitability and effectiveness.
- Using the responses to the questionnaire, and working with DWP to identify areas where further assurance work is required, including examination of working papers, visits to accountancy firms and identifying weaknesses and recommending improvements or remedial action,
- 5.5.4 Carrying out limited checks of working papers, and completion of HBAP Reports.
- 5.5.5 Reviewing internal controls and quality review procedures in accountancy firms; and
- 5.5.6 Providing a detailed report to DWP on the findings of the Quality Assurance review. The report will provide detail on the effective implementation of HBAP by accountancy firms and the control mechanisms in place for individual accountancy firms to ensure consistency of approach. Detailed requirements for the report are contained in the following section 'Reporting Requirements'
- 5.6 Accordingly, DWP's requirement is for the Supplier to verify correct versions of documentation, guidance and regulations are being used by Reporting Accountants, and accountancy firms have internal controls in place to ensure all Reporting Accountants engaged on HBAP testing use the correct versions of documentation and tools provided by DWP.
- 5.7 The Supplier will also verify the process set out in HBAP Modules are being applied correctly and consistently, by examining the controls in place within accountancy firms to internally review and quality assure work carried out, including completion and sign off of HBAP Reports.
- 5.8 The Supplier will be expected to sample a limited number of working papers completed by Reporting Accountants, to verify testing is being carried out to agreed levels (including where some testing is carried out by LAs and re-performed by Reporting Accountants).
- 5.9 In carrying out checks on working papers, the Supplier will consider whether Reporting Accountants have applied the principles set out in the

HBAP Modules, for example use of small and sub-populations, consideration of isolated errors, and limiting the scope of testing for CAKE, additional testing or 40+ testing. Details of the approach to testing that must be followed by Reporting Accountants under HBAP is set out in HBAP Module 6. The supplier must ensure they are familiar with the scope and limitations of the testing requirements in the HBAP Modules (see paragraph 5.24).

- 5.10 The Supplier will also critically evaluate the results of checks on working papers to verify errors found by Reporting Accountants are included in the appropriate section of the relevant HBAP Report.
- 5.11 The Supplier will be expected to adhere to industry standard principles and codes, including ethical standards. Applicable standards include those issued by the International Ethics Standards Board for Accountants (IESBA), and those standards and guidelines issued by the Financial Reporting Council (FRC) that relate to the Supplier's role as a Recognised Supervisory Body for audit.
- 5.12 Prior to undertaking any work for DWP, the Supplier must obtain the latest version of HBAP modules for the applicable financial year by contacting the DWP Housing Benefit Assurance Team. Details of how to contact the Housing Benefit Assurance Team will be shared with the Supplier following award of the contract.
- 5.13 DWP acknowledges and agrees the performance of the Services by the Supplier is dependent on the following:
 - 5.13.1 Provision of details and contact names for all accountancy firms of reporting accountants undertaking HBAP engagements.
 - 5.13.2 Agreement between the supplier and DWP on contents of questionnaire to be issued to reporting accountants.
 - 5.13.3 Provision of information relating to LA feedback to DWP on performance of HBAP engagements, and further work requests that are required to inform a risk based assurance approach following year one.
 - 5.13.4 Ensure all DWP staff overseeing the Services will be suitably skilled and/or experienced.
- 5.14 The quality assurance engagement will be conducted principally from the Supplier's own premises, with visits to accountancy firms as necessary to carry out reviews. There may be occasions where the supplier is requested to attend DWP offices (likely to be in Blackpool or London), in

order to plan schedules of work, or review and discuss findings. There is no requirement for the Supplier to conduct visits with individual LAs.

- 5.15 The supplier will be expected to:
- 5.15.1 Utilise their own office space;
 - 5.15.2 Use their own laptops and mobile phones, or other equipment as required to perform the services; and
 - 5.15.3 Liaise directly with reporting accountants to arrange and plan any site visits required in performance of the services (it is not anticipated visits will be required to individual Local Authorities).
- 5.16 The intention is to run an annual exercise to review HBAP. The HBAP process concludes each year on 30th November which is the statutory deadline for completed HBAP reports and amended subsidy claims to be submitted to DWP by accountancy firms and local authorities.
- 5.17 It is anticipated the review of HBAP will commence shortly after the 30th November deadline. It is expected that the questionnaire will be issued to all accountancy firms in early December for completion and return to the Supplier to allow sufficient time for the supplier to complete subsequent stages of the quality assurance process and report to DWP in line with agreed timescales.
- 5.18 The DWP will notify the supplier of any HBAP reports not received by the statutory deadline and will communicate any issues identified by DWP during the HBAP cycle or from completed HBAP reports. The Supplier and DWP will then agree any additional assurance work required to investigate and address issues identified.
- 5.19 The Supplier will develop a plan to set out the assurance approach, including any sampling, re-performance testing and site visits required. It is anticipated sampling, testing and site visits will be carried out between January and March each year. In developing the plan, the Supplier will take account of responses to the questionnaire and any issues or concerns identified in previous years.

The successful supplier will provide an annual report to the DWP by 30th April (current estimated date).

Outputs

- 5.20 At various stages, the outputs from this work will be;
- 5.20.1 An agreed audit questionnaire

5.20.2 A Quality Assurance plan, to include volumes and timing of testing and visits; and

5.20.3 A Quality Assurance Report.

5.21 The timing for each of the outputs is set out in the 'Timetable and Milestones' section of this document.

5.22 The Services to be delivered by the Supplier will primarily be delivered from the Supplier's own premises. Other locations or travel may be required during the delivery of the services, as agreed in the Quality Assurance Plan agreed with DWP. Any agreed upon travel will be subject to the DWP Contractors Expenses Policy (see Annex A).

6. KEY DELIVERABLES

6.1 The plan is for an annual quality assurance review, with key deliverables set out above to be delivered according to the following timeline.

Deliverable	Description	Delivery Date
1	Development of the Initial Questionnaire.	Within two weeks of the Initial meeting
2	Development of 2 nd phase of assurance regime.	Within three weeks of the Initial meeting
3	Delivery of assurance regime	At the Mid Contract Meeting
4	Final Report.	At the End of Contract meeting

7. MANAGEMENT INFORMATION/REPORTING

7.1 DWP require a dedicated account lead, with named deputy, responsible for ensuring the products outlined in this document are delivered to DWP standards. It is expected delivery will be protected through;

7.1.1 An initial face to face planning meeting in which the specification requirements, DWP's quality and performance requirements will be re-enforced and logistical timings will be agreed.

7.1.2 Ad hoc conference call operational level quality assurance checkpoint meetings will be driven by DWP allowing supplier performance to be measured against the agreed deliverables timetable and to expected programme standards.

7.1.3 A mid contract face to face meeting will be held with suppliers to discuss progress against the agreed deliverables, assess any risk to the delivery and highlight any issues that have arisen in the first half of the contract.

- 7.1.4 A final review meeting following completion of the supplier's report on the HBAP process. The purpose of this meeting will be to; review the report and findings of the quality assurance engagement, undertake a lessons learned on the operation of the contract, identification of areas to be carried forward to subsequent years;
- which the Supplier account manager will arrange in agreement with the DWP Contract Lead.
- 7.2 Following completion of the activities set above, the Supplier will provide a report to DWP by 30th April in respect of each annual audit reporting year (current estimated date). The format of the report will be agreed between DWP and the Supplier, however it is expected this will cover the following areas:
- 7.2.1 At an industry level, a summary of responses to questionnaire, highlighting any failure to return, and any recurrent issues and concerns.
- 7.2.2 At an industry level, a summary of findings from re-performance/sample testing carried out.
- 7.2.3 At an industry level, a conclusion or opinion on the effectiveness of HBAP implementation, in terms of consistency of approach and controls, and any other relevant information.
- 7.2.4 For each individual accountancy firm any findings leading to concerns, including any control weaknesses, failure to translate testing results to HBAP reports correctly, failure to carry out required volumes of testing. The report should also detail any action the supplier has recommended the firm take following the review, and how implementation of such recommendations will be monitored by the supplier.
- 7.2.5 At accountancy firm level, any best practice that could be shared with other accountancy firms, and how the supplier and/or DWP will share best practice.
- 7.2.6 For any firm where specific concerns can be isolated to particular locations (or LAs), the report should also detail any action the Supplier has recommended the firm take following the review, and how implementation of such recommendations will be monitored by the accountancy firm and the Supplier.
- 7.2.7 A summary conclusion on the performance of each accountancy firm.

- 7.2.8 A summary of recommendations made, how and when these will be implemented, by whom and how this will be monitored; and
- 7.2.9 In Years 2 and 3, a report on how the previous year's recommendations have been implemented and whether these have been successful.
- 7.3 The purpose of the report will be to provide DWP and key stakeholders (e.g. LAs and NAO), with assurance that HBAP is being implemented according to the procedures set out in HBAP Modules 1 to 6, and the correct audit tools (Modules 2, 3 and 5) are being used.
- 7.4 In carrying out the quality assurance engagement, it is anticipated the Supplier will develop a 'what good looks like' template to evaluate controls and processes established within accountancy firms, and to set the standard for conduct of HBAP engagements.
- 7.5 As part of the reporting and feedback requirement, the Supplier should consider whether a review meeting between the Supplier, DWP and the accountancy firms should take place, and will facilitate such a meeting if agreed.
- 7.6 In the event serious concerns are identified during the quality assurance review, the Supplier will work with DWP, accountancy firms and any other appropriate regulatory authorities to identify and take action to implement remedial action.
- 7.7 As per HBAP Module 1, the DWP reserves the right to make a formal complaint to ICAEW or ICAS as the Recognised Supervisory Bodies, should serious concerns be identified.

8. CONTINUOUS IMPROVEMENT

- 8.1 The Supplier will be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.
- 8.2 The supplier is expected to use cumulative knowledge gathered to refine test samples and build in a risk based approach to testing as the contract matures.
- 8.3 Changes to the way in which the Services are to be delivered must be brought to the DWP's attention and agreed prior to any changes being implemented.
- 8.4 As part of the supplier liaison/contract management meetings, outlined in Section 7, DWP and the Supplier will discuss lessons learned and seek to improve performance of the contracted service, through review and discussion of any issues that have arisen.

- 8.5 The supplier is expected to critically evaluate the results and findings of the quality assurance process and apply the knowledge gained to inform risk based quality assurance in subsequent years of the contract. This will include focussing any testing to be carried out towards high risk areas of the HBAP process, either by firm or geographical area.

9. SUSTANABILITY

- 9.1 Where the Supplier is an SME, or uses SMEs in its supply chain for the delivery of this agreement, then the Supplier shall report its SME spend (direct or indirect) in to the Authority on a quarterly basis.
- 9.2 The Supplier should acknowledge the importance of the Government's SME agenda, and through the delivery of this agreement seek to support the agenda where practical.

10. QUALITY

- 10.1 The Supplier is required to deliver the Services under this agreement according to best industry practice and all quality standards as required by Schedule 10 of the companies act 2006 amended by SATCAR2016 which sets out the detailed requirements for recognised supervisory bodies
- 10.2 Please refer to section 13 for guidance on quality assurance for the requirement.

11. PRICE

- 11.1 Discussion to agree how expenses will be managed throughout the contract to be held between DWP and the Supplier following contract award and before commencement of services.
- 11.2 Costs associated with travel to carry out the Services will be paid as per the "DWP Contractor's Expenses Policy"

12. STAFF AND CUSTOMER SERVICE

- 12.1 DWP requires the supplier to provide a sufficient level of resource throughout the duration of the contract in order to consistently deliver a quality service to DWP.
- 12.2 Supplier staff assigned to the performance of the quality assurance service shall have the relevant qualifications and experience to deliver the Contract.
- 12.3 The Supplier shall ensure staff understand the objectives of the HBAP Quality Assurance engagement and will provide excellent customer service to DWP throughout the duration of the Contract.

12.4 **Please note** – the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations do **not** apply to this requirement.

13. SERVICE LEVELS AND PERFORMANCE

13.1 The Supplier must have sound processes for quality assurance in place and should demonstrate their internal procedures to assure and control quality in the project within their proposal.

13.2 The Supplier must also assess the key risks to the project. They should identify the most significant risks to successful completion of the programme of work, assess the degree of risk and set out strategies for minimising these risks and managing the consequences if problems occur

13.3 The DWP will measure the quality of the Supplier’s delivery by measuring progress against the delivery plan in accordance with contract specification and the timescales set within the plan. This will be discussed at the delivery checkpoint meetings.

KPI	Description	Target	Delivery Date
1	Development of the Initial Questionnaire.	100% complete	Within two weeks of the Initial meeting
2	Development of 2 nd phase of assurance regime.	100% complete	Within three weeks of the Initial meeting
3	Delivery of assurance regime	50-60% complete	At the Mid Contract Meeting
4	Final Report.	100% complete	At the End of Contract meeting

13.4 DWP will measure the quality of the Supplier’s delivery through periodic meetings stipulated within the agreed timetable (as agreed with the DWP Contract Lead) held between DWP and the Supplier. Where risks to delivery are identified and DWP believes the Supplier is failing to meet agreed delivery dates without reasonable justification, escalation will be considered within both DWP and the Supplier organisation.

14. SECURITY AND CONFIDENTIALITY REQUIREMENTS

14.1 Security requirements are listed within the terms and conditions, this includes BPSS checks and non- disclosure requirements.

15. PAYMENT AND INVOICING

15.1 Invoices are to be submitted to DWP against a Purchase Order, which will be provided at contract start.

15.2 Payment can only be made following satisfactory delivery of pre-agreed certified products and deliverables. These are detailed in The Key Milestone/Deliverables tables in Section 7 of this document.

15.3 Payments will be made to the Supplier within 30 days of receiving a valid invoice.

16. CONTRACT MANAGEMENT

16.1 The DWP Contract Lead will be part of the DWP Housing Benefit Assurance Team. The Contract Lead will work closely with the Supplier to ensure deliverables are completed by the Supplier in line with this Agreement.

The Contract Lead will publish a timetable of suggested periodic checkpoint meetings to supplement the initial planning meeting, the mid contract review and the final report review. The meeting agenda will include:

16.1.1 a review of Supplier progress during the relevant period, with the Supplier providing an update on the current position and identifying any risks to delivery

16.1.2 an opportunity for the Supplier to escalate any matters for DWP decision-making;

16.1.3 an opportunity for the Supplier to raise any payment issues; and

16.1.4 a review of the supplier delivery plan and current performance against the plan

17. LOCATION

17.1 Where possible the Services will be carried out at the Supplier's premises (subject to discussions on the delivery strategy post contract award).

17.2 Discussion to agree how expenses will be managed throughout the contract will be held between DWP and the Supplier following contract award and before commencement of the Services.

Annex A - DWP Contractors Expenses Policy



DWP Policy on
Expenses for Busine