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Private & confidential

Department for Work and Pensions
Housing Benefit Unit
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

Our ref KPMG/NBC/BEN01/DH
/LB

3 December 2015

Dear Sir / Madam

Northampton Borough Council (the Authority)
Housing benefit subsidy claim for the year ended 31 March 2015 (Form MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated 3 December 2015

Details of the matters giving rise to my qualification of the above claim are set out in the Appendix to this letter.

My qualification refers you to the Authority's letter sent to you dated 3 December 2015 attached.

The factual content of my qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

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Cross cutting qualification issues

In year reconciliation cells

Cells 037, 077 and 130 should agree to the entries in cells 011, 055 and 094 respectively. The following differences are noted:

Claim cell:	£ amount:	Claim reconciliation cell:	£ amount:	Difference:
094 – Rent Allowance	£42,573,365	130	£42,573,364	£1

Cell 094: Rent Allowance – Total expenditure (Benefit Granted)

Cell Total £42,573,365

Cell Population 11,038

Headline Cell £42,573,365

Testing of the initial sample identified:

- 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant’s weekly income.
- 1 case where the Authority had overpaid benefit as a result of incorrectly assessing claimant income which resulted in childcare costs not being calculated correctly.

Each of these error types is dealt with separately below.

Overpaid benefit

Sub-population total £14,461,528

Sub-population 4,928

Testing of the initial sample identified:

- 1 case (total value £674) where the Authority had overpaid benefit as a result of incorrectly assessing the claimants income. The effect of the error is to overstate cell 103 with a corresponding understatement of cell 113; there is no impact upon cell 094.

Testing of an additional random sample of 40 taken from a listing containing only claimants in receipt of earned income identified another 5 cases (total value £15,365) where income had been incorrectly assessed. In 3 cases benefit has been underpaid as a result and in 2 cases benefit has been overpaid as a result. Should the DWP (the Department) decide that the failure means that subsidy has been overpaid, the effect of these errors is to overstate cells 103 with a corresponding understatement in cell 113; there is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate: (to four decimal places %)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 11 cases	Miscalculation of claimant income	£14,461,528	£58	£39,811		
Additional sample - 40 cases	Miscalculation of claimant income	£14,461,528	£75	£109,625		
Combined Sample - 60 cases	Miscalculation of claimant income	£14,461,528	£133	£149,436	0.0890	£12,871
Adjustment	Combined sample. Cell 103 is overstated.	£14,461,528	£133	£149,436	0.0890	£12,871
Total Corresponding adjustment	Total understatement of cell 113.					(£12,871)

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £8 to £67 and the benefit periods range from 1 week to 52 weeks. Similar findings have been included in my qualification letters for the last two years.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Should the Department decide that amendments should be made to the above cells there will be corresponding amendments to the Local Authority Error and Administrative Delay Subsidy cells 201 to 211.

Overpaid benefit
Sub population total £1,427,542
Sub population 509

Testing of the initial sample identified:

- 1 cases (total value £2,551) where the Authority had overpaid benefit as a result of incorrectly assessing claimant income resulting in child care costs being incorrectly calculated. The error is to overstate cell 102 with a corresponding understatement of cell 113; there is no effect on cell 094.

Testing of an additional random sample of 40 taken from a listing of all claimants with child care costs identified another 4 errors (total value £20,127) where child care costs had been incorrectly assessed. In 3 cases benefit had been overpaid as a result and in 1 case benefit had been underpaid as a result. Should the Department decide that the failure means that subsidy has been overpaid, the effect of these errors is to overstate cells 102 and 103 with a corresponding understatement of cell 113; there is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate to four decimal places	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 1 case	Child care costs incorrectly calculated	£1,427,542	£207	£2,551		
Additional sample - 40 cases	Child care costs incorrectly calculated	£1,427,542	£360	£172,902		
Combined Sample - 60 cases	Child care costs incorrectly calculated	£1,427,542	£567	£175,453	0.3232	£4,613
Adjustment	Combined sample. Cell 102 is overstated.	£1,427,542	£227	£175,453	0.1294	£1,847
Adjustment	Combined sample. Cell 103 is overstated.	£1,427,542	£340	£175,453	0.1938	£2,766

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate to four decimal places	Cell adjustment:
Total Corresponding adjustment	Total understatement of cell 113.		£567			(£4,613)

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £20 to £265 and the benefit periods range from 4 weeks to 52 weeks. No similar findings have been included in my qualification letters in previous years.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Should the Department decide that amendments should be made to the above cells there will be corresponding amendments to the Local Authority Error and Administrative Delay Subsidy cells 201 to 211.

Cumulative knowledge of errors testing

As a result of our cumulative knowledge of errors identified last year, we carried our 40+ testing on the assessment of start dates for job seekers allowance (JSA) passported claims and the assessment of end dates for claimants in receipt of JSA/IB. The results are presented separately below:

In-correct assessment of benefit start date

Sub population total £1,575,863

Sub population 624

Testing of an additional random sample of 40 cases selected from a listing including all JSA passported new claims identified:

- 2 cases (total value £8,126) where the Authority had overpaid benefit as a result of incorrectly assessing the start date of benefit payment.
- 2 cases (total value £5,263) where the Authority had underpaid benefit as a result of incorrectly assessing the start date of benefit payment.

As there is no eligibility to subsidy for benefit which has not been paid, the 2 underpayments identified do not affect subsidy and have not, therefore been classified as errors for subsidy purposes.

Should the Department decide that the failure means that subsidy has been overpaid, the effect of these errors is to overstate cells 102 and 103 with a corresponding understatement in cell 113; there is not effect on cell 094.

The results of my testing are set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate to four decimal places	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 3 cases	Incorrect assessment of JSA start date	£1,575,863	£0	£4,647		
Additional sample - 40 cases	Incorrect assessment of JSA start date	£1,575,863	£265	£126,529		
Combined Sample - 60 cases	Incorrect assessment of JSA start date	£1,575,863	£265	£131,176	0.2020	£3,183
Adjustment	Combined sample. Cell 102 is overstated.	£1,575,863	£67	£131,176	0.0511	£805
Adjustment	Combined sample. Cell 103 is overstated.	£1,575,863	£198	£131,176	0.1509	£2,378
Total Corresponding adjustment	Combined sample. Cell 113 is understated.	£1,575,863	£265			(£3,183)

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £67 to £198 and the benefit periods from 1 weeks to 2 weeks. Similar findings were included in my qualification letter in the previous year.

Given the nature of the population and the variation of errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Should the Department decide that amendments should be made to the above cells there will be corresponding amendments to the Local Authority Error and Administrative Delay Subsidy cells 201 to 211.

In-correct assessment of benefit end date

Sub population total £7,549,834

Sub population 2,453

Testing of an additional random sample of 40 cases selected from a listing including all claimants in receipt of JSA/IB did not identify any errors in the assessment of benefit end dates.

Cell 055: Rent Rebates (Tenants of HRA Properties) – Total expenditure (Benefit Granted)

Cell Total £31,975,459

Cell Population 9,269

Headline Cell £31,975,459

Testing of the initial sample identified:

- 2 cases where the Authority miscalculated earned income (total value £9,162). In 1 case (total value £4,121) this created an underpayment in benefit. In 1 case (total value £5,041) the error identified had no impact upon subsidy paid.

Underpaid benefit

As there is no eligibility to subsidy for benefit which has not been paid, the 2 cases identified above do not affect subsidy and have not, therefore been classified as an error for subsidy purposes.

However, because errors incorrectly assessing claimant earned income could result in overpayments an additional random sample of 40 cases taken from listing containing only claimants in receipt of earned income was tested. Testing identified a further 6 cases (total value £18,523) where earned income had been incorrectly calculated. In 5 cases benefit had been overpaid as a result and in 1 cases benefit had been underpaid as a result.

Should the Department decide that the failure means that subsidy has been overpaid, the effect of these errors is to overstate cell 061 with a corresponding understatement of cell 065; there is no effect on cell 055.

The results of my testing are set out on the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate to four decimal places	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 2 cases	Incorrect assessment of income	£5,947,296	£0	£7,561		
Additional sample - 40 cases	Incorrect assessment of income	£5,947,296	£188	£116,170		
Combined Sample – 60 cases	Incorrect assessment of income	£5,947,296	£188	£123,731	0.1519	£9,034
Adjustment	Combined sample. Cell 061 overstated.	£5,947,296	£188	£123,731	0.1519	£9,034
Total Corresponding adjustment	Total understatement cell 065.	£5,947,296	£188			(£9,034)

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from 2p to £105 and the benefit periods from 1 weeks to 4 weeks. Similar findings were included in my qualification letter in the previous year.

Given the nature of the population and the variation of errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Should the Department decide that amendments should be made to the above cells there will be corresponding amendments to the Local Authority Error and Administrative Delay Subsidy cells 201 to 211.

Cumulative knowledge of errors testing

As a result of our cumulative knowledge of errors identified last year we carried our 40+ testing on the assessment of non dependant deductions. The results are presented separately below:

Underpaid benefit
Sub population total £657,846
Sub population 185

Testing of a random sample of 40 cases selected from a listing including all claims including a non dependant deduction identified no errors. No underpayments or overpayments had been made.

Similar findings were included in my qualification letter in the previous year.

Cell 011: Rent Rebates (Tenants of Non HRA Properties) – Total expenditure (Benefit Granted)
Cell Total £767,190
Cell Population 453
Headline Cell £767,190

Testing of the initial sample identified:

- 2 cases (total value £6,143) where benefit had miscalculated the claimant's weekly earned income. In one case (total value £1,281) this resulted in an overpayment of benefit, and in one case (total value £4,862) this resulted in an underpayment of benefit.
- 1 case (total value £244) where benefit has been overpaid as a result of the Authority incorrectly assessing the claimant JSA end date.

Each of these error types is dealt with separately below:

Underpaid benefit
Sub population total £166,777
Sub population 105

As there is no eligibility to subsidy for benefit which has not been paid, the 1 underpayment identified do not affect subsidy this has not, therefore been classified as an error for subsidy purposes.

However, because errors miscalculating the claimant's weekly earned income could result in overpayments an additional random sample of 40 cases selected from a listing containing only claimants in receipt of earned income was tested. Additional testing identified a further 4 cases (total value £6,755) where the Authority had underpaid benefit as a result of miscalculating the claimant's weekly income. As the 4 underpayments identified do not affect subsidy this has not, therefore been classified as an error for subsidy purposes.

Overpaid benefit
Sub population total £166,777
Sub population 105

Testing of the initial sample identified one case (total case value £1,281) where the Authority had overpaid benefit as a result of incorrectly assessing claimant income. The error is to overstate cell 014, with a corresponding understatement of cell 026; there is no effect on cell 011.

An additional random sample of 40 cases selected from a listing containing only claimants in receipt of earned income was tested. Additional testing identified a further 4 cases (total value £6,755) where the Authority had underpaid benefit as a result of miscalculating the claimant's weekly income. As the 4 underpayments identified do not affect subsidy this has not, therefore been classified as an error for subsidy purposes.

The results of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate to four decimal places	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 5 cases	Miscalculation of claimant earned income	£166,777	£140	£12,444		
Additional sample - 40 cases	Miscalculation of claimant earned income	£166,777	£0	£68,981		
Combined Sample - 60 cases	Miscalculation of claimant earned income	£166,777	£140	£81,425	0.1719	£287
Adjustment	Combined sample. Cell 014 overstated.	£166,777	£140	£81,425	0.1719	£287
Total Corresponding adjustment	Total understatement cell 026.					(£287)

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £0 to £140 and the benefit periods from 0 weeks to 2 weeks. Similar findings were included in my qualification letter in the previous two years.

Given the nature of the population and the variation of errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Should the Department decide that amendments should be made to the above cells there will be corresponding amendments to the Local Authority Error and Administrative Delay Subsidy cells 201 to 211.

Overpaid benefit

Sub population total £275,823

Sub population 173

Testing of the initial sample identified 1 case (total value £244) where the Authority had incorrectly assessed the claimant JSA end date. Should the Department decide that the failure means that subsidy has been overpaid, the effect of these errors is to overstate cell 014 with a corresponding understatement of cell 026; there is no impact on cell 011.

Testing of an additional random sample of 40 cases taken from a listing containing only claimants in receipt of JSA, identified no further cases where JSA end date had been incorrectly assessed.

Should the Department decide that the failure means that subsidy has been overpaid, the effect of these errors is to overstate cell 014 with a corresponding understatement of cell 026; there is no impact upon cell 011.

The results of my testing are set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate to four decimal places	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 7 cases	Incorrect assessment of JSA end date	£275,823	£54	£14,487		
Additional sample - 40 cases	Incorrect assessment of JSA end date	£275,823	£0	£62,552		
Combined Sample - 60 cases	Incorrect assessment of JSA end date	£275,823	£54	£77,039	0.0701	£193
Adjustment	Combined sample. Cell 014 overstated.	£275,823	£54	£77,039	0.0701	£193

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate to four decimal places	Cell adjustment:
Total Corresponding adjustment	Total understatement cell 026.					(£193)

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £0 to £54 and the benefit periods from 0 weeks to 1 week. No similar findings were included in my qualification letter in the previous year.

Given the nature of the population and the variation of errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Should the Department decide that amendments should be made to the above cells there will be corresponding amendments to the Local Authority Error and Administrative Delay Subsidy cells 201 to 211.

Cumulative knowledge of errors testing

As a result of our cumulative knowledge of errors identified last year we carried out 40+ testing on the calculation of the Authority's assessment of dependant applicable amounts and disregards.

Incorrect assessment of dependant applicable amounts and disregards

Sub population total £535,584

Sub population 272

Testing of an additional random sample of 40 cases selected from a listing including all claims with dependants at the property did not identify any cases where the calculation of dependant applicable amounts and disregards had been made incorrectly. No underpayments or overpayments of benefit payments were identified.