



KPMG LLP
Audit
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH
United Kingdom

Tel +44 (0) 121 232 3869
Fax +44 (0) 121 232 3500
andrew.cardoza@kpmg.co.uk

Private & confidential

Mr G Hammons
Chief Finance Officer (S151)
Northampton Borough Council
Guildhall
St Giles Square
Northampton, NN1 1DE

Our ref ac/nbc/g/1516
Contact Andrew Cardoza
+44 (0) 121 232 3869

17 February 2017

Dear Glenn

Northampton Borough Council - Certification of Claims and Returns - Annual Report 2015/16

Public Sector Audit Appointments Ltd requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2015/16.

In 2015/16 we carried out certification work on the Housing Benefit Subsidy claim and the Pooling of Housing Capital Receipts Return. The certified values of the claim/return were:

Description	Amount	Certification Date
Housing Benefit Subsidy Claim	£72,236,930.00	30 November 2016
Pooling of Housing Capital Receipts Return	£1,091,047.84	2 November 2016

Matters arising from Housing Benefit Subsidy claim

Our certification work on Housing Benefit Subsidy claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and

- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

In the 2015/16 claim, errors identified included the calculation of claimants' income, the application of savings credit, child care costs for private tenants, start dates for Job Seeker Allowance (JSA) passported claims, and the application of a rent increase. Extrapolated adjustments were reported to the Department for Work and Pensions on 30 November 2016 in line with the Department's requirements. However, no adjustments were made to the Council's claim.

Consequently we have made one recommendation to the Council to improve its claims completion process, see Appendix 1.

In our 2014/15 Certification Annual Report we raised two recommendations relating to the Housing Benefit Subsidy claim. Full details are included in Appendix 2.

Matters arising from Pooling of Housing Capital Receipts return

Our work on the Pooling of Housing Capital Receipts return identified minor adjustments issues and we certified the claim unqualified. The adjustments did not result in a change to the amounts paid into the pool.

Consequently we have made no recommendations to the Council to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

Certification work fees

Public Sector Audit Appointments Ltd ('PSAA') set an indicative fee for our certification work for Housing Benefits Subsidy Claim in 2015/16 of £10,579. Our actual fee was the same as the indicative fee, and this compares to the actual 2014/15 fee for this claim of £25,296. The prior year's fee included £10,646 of additional costs incurred in relation to further work and training being undertaken by the audit team. This was in response to an unexpected and long-term sickness absence of the key member of staff responsible for assisting with this work. Additional testing was also required in 2014/15 in respect of the assessment of end dates for non-housing revenue claimants and the calculation of child care costs for private tenant claimants. We are pleased to report that no additional fees were incurred for this year's audit.

The fee for our certification work for Pooling of Housing Capital Receipts return in 2015/16 was £4,118. This is in line with our contract dated 21 September 2015.

Yours sincerely



Andrew Cardoza
Director, KPMG LLP

Appendix 1: 2015/16 Certification of Claims and Returns Action Plan

Priority rating for recommendations		
<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
1	<p>Housing Benefit Subsidy –Quality and Assurance</p> <p>The Council continues to perform quality and assurance checks on the risk areas identified in the previous year. In the 2014/15 return these included application of start and end dates for payments received by claimants from the DWP, calculation of claimants income, and the assessment of the impact of dependants and non-dependants.</p> <p>In the 2015/16 return errors identified included the calculation of claimants’ income, the application of savings credit, child care costs for private tenants, start dates for JSA passported claims, and the application of a rent increase.</p>	<p>We recommend that the benefits team consider errors identified when considering the risk areas on which to focus their quality and assurance checks.</p> <p>We also recommended that the underlying cause of the errors is considered, and any training needs are identified with an appropriate plan produced and followed to address these areas.</p>	<p>2</p>	<p>Agreed.</p> <p>Responsible officer: Marc Brown (Subsidy Officer) Target date: Ongoing</p>

Appendix 2: Follow-up of 2014/15 Certification of Claims and Returns Recommendations

Priority rating for recommendations		
<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

Number	Prior year recommendation	Priority	Status as at February 2017	Management comments
1	<p>Housing Benefit Subsidy –Quality and Assurance</p> <p>The Council continues to perform quality and assurance checks on the risk areas identified in the previous year. In the 2014/15 return these included application of start and end dates for payments received by claimants from the DWP, calculation of claimants income, and the assessment of the impact of dependants and non-dependants.</p> <p>We recommend that the benefits team consider errors identified as a factor when considering the risk areas on which to focus their quality and assurance checks. We also recommended that the underlying cause of errors is considered, and any training needs are identified with an appropriate plan produced and followed to address these areas.</p>	<p>2</p>	<p>In the 2015/16 return errors identified included the calculation of claimants’ income, the application of savings credit, child care costs for private tenants, start dates for JSA passported claims, and the application of a rent increase.</p> <p>Due to the errors found during this year’s audit, we re-iterate this recommendation for 2015/16.</p>	<ul style="list-style-type: none"> – We have targeted those areas with the highest number of errors identified in 2014-15 (& again in 2015-16) with specific quality checks. Errors in earned income, start dates were the main errors in 2014-15 and in 2015-16 errors in these areas were identified again along with errors in childcare cost calculation. We have focused on checking one error type in one month each quarter and have checked as many claims as we can during this time. – In Q1 (Apr) we quality checked earned income cases. Accuracy was 95% with 9 errors from 166 claims checked. All errors were referred back to assessor for correction, along with offers of guidance, training & support – On the back of the earned income testing we reviewed and revised the EI procedures to ensure they were fully up to date and gave guidance on the issues coming up from the audits & checking. These procedures are available to all staff on the learning pool.

Number	Prior year recommendation	Priority	Status as at February 2017	Management comments
	<p>Responsible officer: Marc Brown (Subsidy Officer)</p> <p>Target date: Ongoing – update on progress to be provided to Audit Committee after 1st April 2016</p>			<ul style="list-style-type: none"> – In Q2 (Aug) we checked start dates. Accuracy was 98% with just 3 errors identified from 165 claims checked. Again, errors were fed back & corrected. – In Q3 (Dec) we quality checked childcare costs. Accuracy was 96% with 3 errors from 83 claims. Errors were fed back & corrected. – It was found that there were similar errors in terms of child care costs i.e. over how many weeks to calculate CCC. We therefore reviewed and amended the current procedures to ensure clear guidance was given on how to calculate CCC – A new training officer started in early 2016 and is in the processes of reviewing and updating all procedures, processes and guidance on the learning pool. Procedures for earned income, self-employed claims, childcare costs, temporary absence, DHPs, Overpayments have all been updated – Various training sessions and workshops are now being offered to improve learning & development & staff receive monthly reports on their performance including recommendations following identification of any errors – We will continue to record all errors and are able to easily identify any error trends not identified during the audit process. This will allow us to target specific errors trends in future monthly checking and to provide the necessary training & support to those requiring it in order to eradicate the errors going forward
2	<p>Housing Benefit Subsidy – Knowledge sharing and contingency plans</p> <p>A high level of knowledge and understanding of the housing benefit subsidy claim is retained by only one member of staff (Subsidy Officer).</p>	2	<p>Officers were present during our audit, thus we will not be re-iterating this recommendation.</p>	<ul style="list-style-type: none"> – We are now widening the subsidy support across the section rather than limiting it to just one additional officer. This will be an ongoing process. – 2 officers attended a subsidy workshop in January 2016 which has provided the Authority with more general subsidy knowledge – Full Training has been given to 3 members of staff on the audit process, checking process and the completion

Number	Prior year recommendation	Priority	Status as at February 2017	Management comments
	<p>Due to an unexpected, long term sickness absence of this individual in 2014/15 additional audit time was spent on the housing benefit subsidy testing. This included training of other members of the revenues team and time spent dealing with queries.</p> <p>The Council should ensure that sufficient knowledge of the housing benefit subsidy claim is shared across other key members of the revenues team.</p> <p>The Council should put in place a training programme which builds upon the knowledge shared as part of the 2014/15 audit process and ensure that sufficient support is given to the Subsidy Officer to complete this requirements of this audit testing going forward.</p> <p>Responsible officer: Marc Brown (Subsidy Officer)</p> <p>Target date: Ongoing – training and mentoring to be provided on an on-going basis, but main training to be completed by October 2016 before the 16/17 grant audit.</p>			<p>of subsidy workbooks proving them with the understanding and knowledge to complete the audit process in the absence of the subsidy officer.</p> <ul style="list-style-type: none"> – 2 people are due to attend a subsidy workshop in March 2017 for those 'new to subsidy'. This focuses specifically on claiming and payments of subsidy, applicable deadlines, the mechanics of the subsidy claim, the responsibility of the LA, DWP & auditors & an overview of certification arrangements. This will give the Authority a wider resource and knowledge base of the subsidy process and provide potential cover and assistance to the subsidy officer. – We are also in the process of recruiting an additional resource to the subsidy, training & quality team who will provide further support to the subsidy officer in the completion of the subsidy claim & audit



This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.