



Leicestershire Revenues & Benefits Partnership

# Internal Audit Final Report

## **Housing Benefit and Local Council Tax Support**

### (2023/24)

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#### **Reporting Timetable**

Debrief Meeting: 05/05/2024

Draft Report Issued: 29/05/2024

Comments Received:  
10/07/2024

Final Report Issued: 10/07/2024

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## Disclaimer

This report (“Report”) was prepared by Forvis Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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## Your One Page Summary

**Audit Objective:** To provide the Members, the Joint Committee and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to Housing Benefit and Local Council Tax Support.

### Audit rationale

#### Why the Audit is in Your 2023/24 Plan

To cover adequacy and effectiveness of controls related to the partnership's approach to housing benefit and local council tax support.

#### Your Strategic Risk

RBS.01 - Business Continuity arrangements/plans  
RBS.20 - Effects on the credit crunch

### Summary of our opinion

**Moderate Opinion**  
See Appendix A1 for definitions



### Summary of Recommendations

Whilst we have raised a high priority recommendation, the overall opinion remains Moderate as this recommendation relates to a discrete area of the scope.

High Priority	1
Medium Priority	1
Low Priority	1

<b>Actions agreed by you</b>	<b>100%</b>
<b>High Priority completion</b>	October 2024
<b>Overall completion</b>	October 2024

### Summary of findings

#### Examples of good practice

- ✓ Ten new claims (five housing benefits, five council tax support scheme) were accurately processed in line with the Partnerships policies and procedures.
- ✓ Ten discretionary housing payment claims were accurately processed in line with the Partnerships procedure.
- ✓ Accurate payments were made in line with the Benefits Officer's assessment and in a timely manner for a sample of eight claims

#### Highest Priority Findings

- In cases where claimants are no longer receiving benefits, consistent action is not being taken to reduce overpayment arrears.
- Fraud awareness training has not been provided to Benefits Officers since 2013.

#### Key root causes

- A prioritisation of "easy to recover" debt over resource heavy recovery action.
- Following the establishment of the Single Fraud Investigation Service in 2013, the Partnerships took the decision to no longer provide fraud awareness training to Benefits Officers.

## 01 Summary Action Plan

Below is a high-level summary of the actions that are intended to support your management of this risk area. Further detail about our findings, which have been discussed with management, are provided in our detailed action plan (see 03 Detailed Action Plan).

Ref	Recommendation	Priority	Responsible Person	Due Date
1	The partnership should conduct a review of its overpayments process to establish a process for recovering overpayment arrears. In the interim, an action plan should be agreed to document the approach for reducing outstanding overpayments, and recovery going forward. This could include a segmented recovery approach whereby recovery is prioritised based on factors such as amount, and likelihood of recovery. Specific focus could be given to high-value or recent overpayments to maximise returns. The agreed approach should also be reviewed and approved at the appropriate level.	High	Sally O'Hanlon Head LRBP	31/10/2024
2	<p>1. The partnership should ensure ongoing fraud awareness training is provided to Benefits Officers.</p> <p>2. The partnership should monitor the impact of training on fraud detection rates through its referral data tracked via the Fraud Spreadsheet.</p>	Medium	Storme Coop	31/10/2024
3	<p>1. Procedures should be reviewed regularly (i.e. annually) to ensure the guidance is up-to-date and relevant.</p> <p>2. Evidence of reviews and relevant dates should be indicated in the procedures via version control and/or a revision chart outlining when it was last reviewed and the next review date.</p> <p>3. A centralised document management process should be implemented to maintain oversight of all policies and procedures, including information on the review status and upcoming review dates.</p>	Low	Sally O'Hanlon Head LRBP	Ongoing

## 02 Value for Money and Sector Comparison

Within each of our reports, we summarise any observations we have made about the effectiveness, efficiency and economy of your operations. This is to support our portfolio of public and social sector organisations with value for money considerations. We also summarise how you compare to similar organisations, which is intended to bring you the benefit of our insight.

### Value for Money



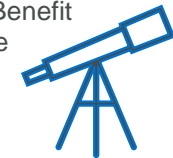
Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

Benefit Officers use the Academy system to record and administrate benefit claimant accounts. A document management system (Enterprise) is also utilised to digitally retain paperwork from claimants, the DWP and other third parties. An online claim form has also been implemented for benefit applications, streamlining the claim submission process and limiting the costs associated with traditional paper forms.

Xantura's risk-based algorithm<sup>1</sup> is used to screen benefits claimants to determine the probability that the claimant will commit fraud or error. The resulting assessment divides claims into three categories: low, medium or high risk. This helps achieve value for money through optimising resource allocation towards high-risk applications that require closer scrutiny. The need for manual review is also reduced, speeding up decision making and enabling faster processing times for claimants.

### Sector Comparison

We have assessed the arrangements in place for Housing Benefit and Local Council Tax Support and compared them to those noted in other audits recently carried out at other Local Authority clients.



It was noted that at the time of audit, overpayment recovery activities had been paused, due to resource constraints and staff capacity issues. Others in the sector have implemented automated systems to manage recovery processes. This includes sending regular automated reminder letters to claimants with outstanding balances, prompting timely payment and reducing the need for manual follow-up.

It is important that Benefits Officers declare any personal or financial interests that could potentially conflict with their duties to ensure Officers act impartially and maintain public confidence in the fairness of the decision-making process. We have noted that an informal process currently operates where the onus is on Officers to inform the Benefits Team Leader when they are assigned to a claim where this is a potential conflict of interest.

Others in the sector require Benefits Officers to complete signed Declaration of Interest forms (DOI) which include declarations of any potential conflicts and a signed agreement to declare if conflicts arise. Common practice is to review and update DOI forms on an annual basis. This proactive approach helps to reinforce the ethical standards expected and fosters a culture of transparency, accountability and ethical behaviour amongst staff.

<sup>1</sup> An algorithm built into the claims processing system which calculates the risk level assigned to each claim submitted. The partnership's RBV Information Requirements Procedure details the level of evidence required from the claimant based on the risk level assigned.

## 03 Detailed Action Plan

We have identified areas where there is scope to improve the control environment. Our detailed findings are provided below. Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

1. Lack of recovery of overpayments	
Finding(s) and Risk	Recommendation(s)
<p>The partnership's Overpayments Procedure outlines three methods for recovering overpayments. Where the claimant is still in receipt of housing benefit, a deduction can be made from ongoing payments to recover the difference. Where the claimant is receiving benefits from the Department for Work and Pensions (DWP), the partnership instructs the DWP to take deductions from the claimant's benefits. A schedule is then received from the DWP each month outlining the payments recovered. Where the claimant possesses no ongoing benefits, an invoice should be issued, and recovery action should be undertaken e.g. issuing reminder letters.</p> <p>We sought to test a sample of overpayments across the three methods of recovery in order to confirm whether overpayments are being recovered in line with the partnership's procedure.</p> <p>We were informed by the Head of Leics Revs and Bens Partnership that when invoices are raised at the point of recovery, and payment is not received, high level recovery action is not currently followed e.g. a consistent process of reminders and County Court action etc. We were unable to test a sample of cases where the claimant possessed no ongoing benefits, as evidence of action been taken to recover overpayments of this nature could not be provided at the time of the audit.</p> <p>We reviewed a report of all outstanding invoices relating to overpayments where recovery action is not taking place across the three local authorities within the partnership and noted that the total balance of outstanding debt was £2,994,037.83 as at April 2024. This included the following balances across the Partnership:</p> <ul style="list-style-type: none"> <li>• Hinckley and Bosworth Borough Council - £986,529.55</li> <li>• Harborough District Council - £715,844.58</li> </ul>	<p>The partnership should conduct a review of its overpayments process to establish a process for recovering overpayment arrears. In the interim, an action plan should be agreed to document the approach for reducing outstanding overpayments, and recovery going forward. This could include a segmented recovery approach whereby recovery is prioritised based on factors such as amount, and likelihood of recovery. Specific focus could be given to high-value or recent overpayments to maximise returns. The agreed approach should also be reviewed and approved at the appropriate level.</p>

- North West Leicestershire DC - £1,291,663.70

**Risk and Impact:** Where recovery action is not taken, outstanding overpayments will accumulate leading to financial loss for the Councils within the partnership.

**Root Cause(s)**

A prioritisation of “easy to recover” debt over resource heavy recovery action.

**Management Comments / Agreed Actions**

Work has commenced with regard to the ongoing management of new and older overpayment of housing benefits.

Processes will be reviewed, and policies amended to ensure fit for purpose and all remedies are used to recover outstanding debt, while old debt is reduced, and new debt is recovered in accordance with policies with a view to reducing overall debt outstanding, noting the remedies for recovery are limited.

<b>Responsible Person</b>	Sally O’Hanlon Head LRBP	<b>Action Due Date</b>	31 October 2024
		<b>Priority Level</b>	<b>High</b>



## 2. Lack of provision of fraud training

### Finding(s) and Risk

The Partnership's Benefit Fraud Referral Procedure outlines that benefit staff are responsible for vetting benefit claims for evidence of suspected fraud in line with the guidance given at fraud awareness sessions.

We asked the Benefits Team Leader whether Benefit Officers had been provided with fraud awareness training or sessions to assist them in identifying potential fraudulent claims when carrying out assessments. We were informed that fraud awareness training and sessions have been deemed to be not required since the establishment of the Single Fraud Investigation Service in 2013, when the DWP became responsible for investigating welfare benefit fraud.

Despite this, Benefits Officers are still responsible for identifying and referring potentially fraudulent cases to the partnership's Fraud Team and the partnership currently relies on Officers' knowledge and experience to aid them in identifying potentially fraudulent cases.

**Risk and Impact:** Where there is a lack training on identifying signs of potential fraud, Benefits Officers may miss identifying potentially fraudulent claims, resulting in financial loss to the Councils in the Partnership.

### Recommendation(s)

1. The partnership should ensure that ongoing training on how to identify potential fraudulent claims is provided to Benefits Officers.
2. The partnership should monitor the impact of training on fraud detection rates through its referral data tracked via the Fraud Spreadsheet.

### Root Cause(s)

Following the establishment of the Single Fraud Investigation Service in 2013, the partnership took the decision to no longer provide fraud awareness training to Benefits Officers.

### Management Comments / Agreed Actions

It should be noted that most claims are now passported via the DWP as HB for working age is administered by the DWP and the housing element is included in their UC award. In most cases LA's do not have access to the fine detail route cause evidence as it is retained and assessed by the DWP, customers may make applications online so officers do not have original evidence.

All staff completed fraud awareness training with their employing authority, additionally we share updates from IRRV, National Fraud Intelligence Bureau and NAFN. All new starters are trained in fraud awareness.

Ongoing HB fraud awareness isn't currently delivered, (as HB is now administer through Universal Credit (DWP) though will be reviewed to consider appropriate training for Benefit and Customer Service officers.

<b>Responsible Person</b>	Storme Coop	<b>Action Due Date</b>	31 August 2024
		<b>Priority Level</b>	<b>Medium</b>



### 3. Policies / procedures are not in line with current practice.

Finding(s) and Risk	Recommendation(s)
<p>The partnership possesses a suite of policies and procedures relevant to housing benefits and / or the local council tax support scheme which are accessible to Benefits Officer's via the Council's shared drive.</p> <p>We reviewed a sample of 20 policies / procedures across the course of the audit in order to determine whether policies and procedures are up to date and accurately reflect current practice.</p> <p>We noted that the following documents did not include version control and therefore we were unable to determine the date of last review and date of next review:</p> <ul style="list-style-type: none"> <li>• Harborough District Council Payment Run Queued Procedure</li> <li>• Harborough District Council Payment Run Procedure</li> <li>• Backdating Procedure</li> <li>• Date of Claim for CTS Procedure</li> <li>• Evidence Verification Procedure</li> <li>• Benefit Fraud Referral Procedure</li> <li>• HBBC Payment Run Procedure</li> <li>• HBBC, HDC, NWL LCTS Policies</li> <li>• North West Leicestershire Payment Run Procedure</li> <li>• Overpayment Procedure</li> <li>• Requirements for HBBC Staff Procedure</li> <li>• Risk Based Verification Procedure</li> <li>• Write Off Policy</li> </ul> <p>Our review also identified a number of instances where the guidance outlined in policies / procedures was not in line with current practice such as the following:</p> <ul style="list-style-type: none"> <li>• The Evidence Verification Procedure states that two months of bank statements must be provided if the claimants holds more than £5000 for working age and</li> </ul>	<ol style="list-style-type: none"> <li>1. Procedures should be reviewed regularly (i.e. annually) to ensure the guidance is up-to-date and relevant.</li> <li>2. Evidence of reviews and relevant dates should be indicated in the procedures via version control and/or a revision chart outlining when it was last reviewed and the next review date.</li> <li>3. A centralised document management process should be implemented to maintain oversight of all policies and procedures, including information on the review status and upcoming review dates.</li> </ol> <p><b>Root Cause(s)</b></p> <p>The partnership has not implemented a formalised process to monitor the timely review of policies and procedures.</p>

£9000 for pension credit age. However, we were informed by the Benefits Team Leader that current practice is £5,500 and £9,500.

- The Benefit Fraud Procedure outlines that housing benefit overpayments in excess of £1000 should be referred to the Fraud Team. Staff are currently only expected to refer overpayments in excess of £2000.

**Risk and Impact:** If policies and procedures are not regularly reviewed and updated, there is a risk that staff may be following out-of-date and sometimes incorrect guidance leading to inconsistent practice.

**Management Comments / Agreed Actions**

The need to review processes and maintain a formal version control had already been noted and recognised pre audit. Work has commenced on this piece of work. It should be noted that staff have had significant additional duties to undertake with Covid Grants, Test and Trace payments, energy rebate payments to name a few. A rolling process of reviews and policies is being implemented, with instruction to staff about the need for version control and sharing with all relevant colleagues

<b>Responsible Person</b>	Sally O’Hanlon Head LRBP	<b>Action Due Date</b>	Ongoing
		<b>Priority Level</b>	Low

# A1 Audit Information

## Agreed Audit Objective and Scope

The objectives of our audit were to assess whether Hinckley & Bosworth Borough Council has in place adequate and appropriate policies, procedures and controls in relation to Housing Benefit and Local Council Tax Support with a view to providing an opinion on the extent to which risks in this area are managed. The audit considered the following risks relating to the area under review:

- Failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium-Term Financial Plan to be delivered.
- Invalid claims processed / claims not accurately processed.
- Transactions processed inconsistently with external and internal policies and procedures.
- Incorrect / invalid payments made.
- Local Housing Allowance parameters are incorrectly entered resulting in incorrect rates being paid.
- Invalid claims of backdated benefit are paid.
- Inconsistency in discretionary payments.
- Action is not taken to recover outstanding overpayments.
- Write-offs are not appropriately approved.
- Overpayments are made to claimants.
- Fraudulent claims are not identified leading to illegitimate payments being made.

## Scope Limitations

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Any testing performed was conducted on a sample basis. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

We also sought to confirm whether write offs for overpayments had been appropriately approved after all available methods of recovery had been undertaken in line with the requirements of partnerships Write Off Policy. We were informed by the Senior Council Tax Officer that the partnership is not currently processing write offs due to the lack of action being taken to recover overpayments.

## Definitions of Assurance Levels and Recommendation Priority Levels

Definitions of Assurance Levels	
Substantial Assurance	The framework of governance, risk management and control is adequate and effective.
Moderate Assurance	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited Assurance	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory Assurance	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
High (Priority 1)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Priority 2)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low (Priority 3)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	Remedial action should be prioritised and undertaken within an agreed timescale.

## Statement of Responsibility

We take responsibility to Hinckley & Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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