

Report to:	Audit and Standards Committee
Date:	14th September 2020
Title:	Internal Audit and Counter Fraud Report for the first quarter of the financial year 2020-2021 to the end of June 2020
Report Of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To provide a summary of the activities of Internal Audit and Counter Fraud for the first quarter of the financial year - 1st April 2020 to 30th June 2020.
Officer recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Reasons for recommendations:	The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.
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1.0 Introduction

- 1.1 The quarterly report includes a review of work undertaken by Internal Audit and Counter Fraud. At the end of the financial year the Chief Internal Auditor will state their opinion of the control environment of the authority based on this work.
- 1.2 In March 2019 the Audit and Standards Committee agreed the first annual audit plan to cover work across the two authorities.
- 1.3 As the majority of service areas now provide services to both authorities the results of work carried out by Internal Audit and Counter Fraud will be reported to both committees. However, when any findings relate specifically to one authority then this will be reported to the appropriate council's committee only.

2.0 The effect of the response to the Covid-19 pandemic on the work of the Audit and Counter Fraud teams.

- 2.1 Both teams have continued to work throughout the lockdown. As an initial response to some areas with increased demand or with new areas of work, there was a request to redeploy staff to these areas if their usual work was deemed non-essential. As, in the short term, we could deem the work of both teams as non-essential, some staff were redeployed either full time or part time. Work undertaken by members of the teams have included providing cover at the crematorium, processing benefit claims, acting as a Customer Adviser and undertaking welfare telephone calls. However, it was flagged early on that, whilst willing to help other departments, this was something that the teams could not continue longer term as our own work would begin to take priority. Currently no members of the team are carrying out work for other departments.
- 2.2 One member of staff from the Counter Fraud team caught the virus and was hospitalised for a short time. They have now recovered and on a phased return to work.
- 2.3 Whilst the work of the teams has clearly been affected by the loss of resources, it does not seem to have had a material impact. Internal Audit have been able to continue, and almost complete, the work on the annual audit reviews and now no staff are redeployed work is underway in carrying out audit reviews on the audit plan. Counter Fraud have started to pick up on potentially fraudulent claims made for Hardship Grants and some of the work the team have carried out for other sections is actually helping to highlight areas that they can look at during the financial year.
- 2.4 At the beginning of the response to Covid-19 the Chief Internal Auditor emailed all managers across the authorities to remind them that Audit and Counter Fraud were still working and that they were available to offer advice and assistance to anyone who was facing putting new controls in place or having to relax or change controls because of the changed ways of working. A handful of responses were received and advice given.
- 2.5 The Chief Finance Officer also tasked the Chief Internal Auditor to look at the controls being put in place for Hardship Grants, Business Rate Grants and the provision of food parcels. Relevant managers were contacted and information obtained and it appeared as though controls were put in place as much as possible. However, there was a push nationally to ensure that grants were paid as speedily as possible and this meant that checks were not as thorough as would normally be the case. There is clearly a larger piece of work that needs to be carried out by Audit and Counter Fraud to review the grants that were issued and to try to identify any fraudulent claims.
- 2.6 When the Internal Audit plan was proposed for 2020-21 it was based on a percentage split of the audit days in line with the departments. Whilst individual audits were proposed it was stated that the new plan gave more flexibility to carry out any work that arose during the year rather than be tied strictly to a set list of audit reviews. This change of approach has proved to be very timely and means that the team can now focus on the areas of work that have been most affected by increased workloads during this time, with Audit checking that the controls

remained in place and working. The only negative effect on the plan is that time was set aside for Tourism and Enterprise, however as it appears that there will be little or no business in this department for some time, then some of that time allocation will be used in other areas.

- 2.7 Clearly the council is affected by loss of income during the lockdown and it is important to ensure that all income that is actually due is received. The audit plan for 2020-21 included a review of how arrears collection is handled across all departments and this is the first audit from the plan that is being carried out, in the hope that this will help to increase income into the council.

3.0 Review of the work of Internal Audit carried out in the first quarter of 2020-2021.

- 3.1 A list of all the audit reports issued in final from 1st April 2020 to 30th June 2020 is as follows:

Benefits and CTR – Lewes (19/20)	Substantial Assurance
Main Accounting (19/20)	Partial Assurance
Treasury Management (19/20)	Substantial Assurance

NB. These are the Assurance Levels given at the time of the initial report and do not reflect findings at follow up.

- 3.2 Below are the descriptions of the levels of assurance referred to above.

Assurance Level	Description
Full Assurance	Full assurance that the controls reduce the risk to an acceptable level.
Substantial Assurance	Significant assurance that the controls reduce the level of risk, but there are some reservations; most risks are adequately managed, for others there are minor issues that need to be addressed by management.
Partial Assurance	Partial assurance that the controls reduce the level of risk. Only some of the risks are adequately managed; for others there are significant issues that need to be addressed by management.
Minimal Assurance	Little assurance that the controls reduce the level of risk to an acceptable level; the level of risk remains high and immediate action is required by management.
No Assurance	No assurance can be given. The reasons will be explained thoroughly in the report.

- 3.3 During this period the following draft reports have been issued and will be reported in future reports once agreed by the relevant manager.

Debtors (19/20)
Payroll (19/20)
Cash and Bank (19/20)

Council Tax (19/20)
NNDR (Business Rates) (19/20)

- 3.4 Appendix A is the list of all reports issued in final during the year which were given an assurance level below “Substantial”. This list includes brief bullet points of the issues highlighted in the reviews which informed the assurance level given.
- 3.5 In the audit plan for 2020/21 it was proposed to have a list of audits to be carried out which reflected the size of the departments as a percentage of the councils. In this way, when the teams are tasked with pieces of work, these can be carried out within the allocation for the area. A planned audit may have to be dropped but the breadth of coverage would be maintained. It would be ensured that a lower risk audit was dropped if this were to be the case.
- 3.6 The table below shows the work carried out by the Internal Audit team in the first quarter of the year by percentage across the main areas services compared to that planned for the whole. It should be noted that the figures will be skewed as few audits (other than the annual audits) have been undertaken at this point in the year

Area	Planned	Actual
Regeneration	12%	0%
Tourism and Enterprise	9%	0%
Service Delivery	37%	64%
Corporate Services	42%	36%

4.0 Counter Fraud

- 4.1 This is the first quarterly report since the global Covid-19 pandemic. The Counter Fraud Team work has been directly affected like many other areas during this period, with the team responding to the councils’ key priorities by undertaking additional work with welfare contact calls, crematorium, housing needs, housing benefits and customer contact queries.
- 4.2 Despite periods of redeployment, the team have taken a flexible and creative approach in dealing with the existing and new fraud investigations under government guidelines and restrictions. Cases have continued to be built and monitored during the lockdown period, with the team responding to new and emerging fraud risks following the release of Covid-19 support packages to businesses and individuals.
- 4.3 The team continues to target the high risk and value areas of tenancy housing while also undertaking other exercises as detailed below. However the response to Covid-19 has had an impact and this is explained in more detail under each sub section.
- 4.4 Housing Tenancy – The team continue to work closely with colleagues in Homes First and Legal, with 20 ongoing sublet/abandonment tenancy cases at various stages. Three cases have been closed with no further action and two cases, which were already with legal pending recovery action prior to Covid-19, are currently on hold due to restrictions on court hearings until August.

- 4.5 Right to Buy – There was reduction in RTB applications in the beginning of the quarter which is unsurprising with the current financial uncertainty and Covid-19. 12 cases are currently being checked to prevent and detect fraud and protect the authority against money laundering. Residency checks are still outstanding for 19 cases which have either been approved or previously withdrawn, the checks have not been possible due to Covid restrictions. One case remains with Legal for consideration of criminal prosecution.
- 4.6 Tenancy fraud awareness – a joint working campaign with Homes First to develop a series of publicity articles via community posters, social media and local press to raise the awareness of social fraud with the public has been put on hold.
- 4.7 Housing Options – Access for Homes First caseworkers and specialists to use HM Land Registry and the National Anti-Fraud Network facilities for credit checks has been rolled out to help verify applications and prevent fraud. Planned work on Housing Allocations and Applications has been put on hold due to other work commitments.
- 4.8 NNDR – Following on from the government’s announcement to support businesses with large scale grants, the team are working closely with the revenues specialists to prevent and investigate fraudulent applications. The Counter Fraud Team are already working on a number of cases and will now look more closely at 60 applications verified by the council’s Ascendant system. Upon completion of this review, additional checks may be made where fraud or error has been highlighted.
- 4.9 Council Tax – Four cases have been closed during this period with one case resulting in a change in liability with a £819.55 recoverable saving. The planned work on Council Tax Exemptions and Disregards has been put on hold due to other work commitments.
- 4.10 Council Tax Reduction – three cases have been closed down in this period with no further action. One case is currently under investigation. Due to other work commitments, the team have limited capacity to undertake investigations in this area and will therefore undertake further fraud awareness training to the caseworkers to help prevent and detect fraud.
- 4.11 Housing Benefit – The team continue to work closely with the Department for Work and Pensions (DWP) and our colleagues in the benefit section. Due to resources restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate possible Housing Benefit fraud. However, 22 cases have been closed in this period with an increase in recoverable Housing Benefit of £41,980.06 and a preventative saving of £19k.
- 4.12 National Fraud Initiative – No further work has been taken on the 2018/19 exercise following limited results from 10% of test checking. The next data set exercise for 2019/20 is due to be extracted at the end of this year.
- 4.13 Data Protection Requests (DPA) – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. In this period we have dealt with 13 DPA requests from the Police and other authorities.

4.14 A table showing the savings made by the Counter Fraud team in the first three quarters of the year 2020-2021 can be found at Appendix B.

5.0 Financial appraisal

5.1 There are no financial implications relating to expenditure arising from this report.

Details of savings generated by the Counter Fraud team are included in Appendix B.

6.0 Legal implications

6.1 This report demonstrates compliance with regulation 5 of The Accounts and Audit Regulations 2015, which requires Lewes District Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Lawyer consulted 06.08.20

Legal ref: 009414-LDC-OD

7.0 Risk management implications

7.1 If the Council does not have an effective governance framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

8.0 Equality analysis

8.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

9.0 Appendices

Appendix A – list of all reports issued in final during the year which were given an assurance level below “Substantial” with any issues highlighted in the reviews which informed the assurance level given

Appendix B – Counter Fraud work and savings

10.0 Background papers

10.1 Audit reports issued throughout the year.