

Report to: Audit and Standards Committee

Date: 16th November 2020

Title: Internal Audit and Counter Fraud report for the first half of the financial year 2020-2021 to the end of September 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 half of the financial year - 1st April 2020 to 30th September 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.

Contact Officer(s): Name: Jackie Humphrey
Post title: Chief Internal Auditor
E-mail: jackie.humphrey@lewes-eastbourne.gov.uk
Telephone number: 01323 415925

1 Introduction

- 1.1 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.
- 1.2 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.

2 Review of the work of Internal Audit carried out in the first half of 2020-21.

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

Name of Audit	Assurance Level
Benefits and Council Tax Reduction (19/20)	Substantial Assurance
Main Accounting (19/20)	Partial Assurance
Treasury Management (19/20)	Substantial Assurance
Payroll (19/20)	Partial Assurance
Council Tax (19/20)	Substantial Assurance
National Non Domestic Rates (19/20)	Substantial Assurance
Cash and Bank (19/20)	Partial Assurance
Debtors (19/20)	Partial Assurance
Housing Rents (19/20)	Partial Assurance
Creditors (19/20)	Partial Assurance
Information Technology (19/20)	Partial Assurance
Voids Management	Substantial Assurance
Rechargeable Repairs	Partial Assurance

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

2.2 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.

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

Business Continuity Planning

2.4 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.

- 2.5 During this quarter work has also been undertaken in other areas in more of a consultancy capacity that has not resulted in an audit report with an assurance level given to the control environment. A couple of pieces of work were carried out in the Finance section to provide advice on processes. A small investigation was also carried out on a potential fraud involving a creditor providing temporary accommodation. This was found not to be a fraud but poor record keeping on the part of the creditor which had not been identified by the department passing the invoices for payment. There have been several instances of advice being sought from the Internal Audit department on a variety of subjects.
- 2.6 The other area of work involving the Internal Audit team is the Benefit Subsidy Claim. The council has to put in an annual claim to the Department for Work and Pensions (DWP) for the repayment of the benefits paid out on their behalf. The claim has a number of fields which are filled out based on information input to the Open Revenues software. Every year this claim has to be tested for errors before it is submitted. This testing is carried out by the Internal Audit team based on samples selected by an external company. This external company has traditionally been the external auditors for the council. If any errors are found then an additional 40 cases must be selected and tested. Once this work is completed the external auditors test the work carried out by Internal Audit before the claim is signed off and passed to the DWP.
- 2.7 As well as the testing of the subsidy claim this year a piece of work was carried out on the information entered into Open Revenues and the fed into the subsidy claim. It was considered that Internal Audit was not best placed to continue to carry out this work as it distanced the users/department from the results and therefore appeared to transfer responsibility. Also, there was only one officer in Internal Audit who had the necessary experience in this area and this was a potential risk to the council if that member of staff was not available for any reason. It has therefore been agreed that after the current piece of subsidy work is completed then this work will be outsourced to a company to carry out. This will allow resilience of coverage and should allow for potential savings if the company provides the work for both authorities.
- 2.8 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.
- 2.9 The table below shows the work carried out by the Internal Audit team in the first half 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%	2.03%
Tourism and Enterprise	9%	0.12%
Service Delivery	37%	59.54%
Corporate Services	42%	38.32%

2.10 Appendix B shows outstanding recommendations/actions. This list includes recommendations from audit reviews that remain outstanding after the first follow up has been completed plus actions from other reports that have been brought to committee.

3 Review of the work of Counter Fraud carried out in the first half of 2020-21.

3.1 A flexible and creative approach has been taken in dealing with the existing and new fraud investigations under government guidelines and restrictions. Cases have continued to be built and monitored, with the team responding to new and emerging fraud risks following the release of Covid-19 support packages to businesses and individuals. The team continues to target the high risk and value areas of tenancy housing while also undertaking other exercises as detailed below. However, the effects of Covid-19 are still being felt and this is explained in more detail under each sub section.

3.2 Housing Tenancy – The team continue to work closely with colleagues in Homes First and Legal, with one property returned as a result of joint working operation. The returned property is a positive outcome, however as this is a joint working operation with extensive work undertaken by Homes First, it has not been noted as a preventative saving in the figures for the Counter Fraud team. There are currently 22 ongoing sublet/abandonment tenancy cases at various stages. Eight Cases have been closed with no further action. Possession for another property was granted pre-lockdown and is currently waiting a date from bailiffs to execute the warrant. There is one other case with legal pending recovery action.

3.3 Right to Buy – There has been an increase in applications in the second quarter, as Covid-19 restrictions have gradually started to be lifted. 13 cases are currently being checked to prevent and detect fraud and protect the authority against money laundering. Seven cases were withdrawn during this period with a net saving to the authority of £575,300. Nine other cases have been approved for sale. Residency checks are still outstanding for 10 cases which have either been approved or previously withdrawn. These checks are completed as part of the checks carried out in each case but with the Covid restrictions these could not be carried out earlier. Another case is awaiting a prosecution hearing, which is expecting to be heard in November.

3.4 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.

3.5 Small Business Grant Fund – Following on from the government's announcement to support businesses through the Covid-19 pandemic, the team have been working closely with the revenues specialists to prevent and investigate fraudulent applications. Eight applications were verified during this period to confirm the correct recipient of the grant. Work on these applications has already resulted in the return of one £10,000 grant payment and a Police Caution for another application. Work is also ongoing on post verification of 96 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.

- 3.6 NNDR – As part of the review of Small Business Grant Fund applications discrepancies of Small Business Rate Relief and liable rate payer have been found. This has resulted in changes to six business rate bills with a net income of £90,821.36 generated to the authority.
- 3.7 Council Tax – one case was closed during this period. Other planned work on Council Tax Exemptions and Disregards has been put on hold due to work commitments around the Small Business Grants.
- 3.8 Council Tax Reduction - Two cases have been closed down in this period with a net income to the council of £2,679.63 and weekly incorrect saving of £1,824.32. 2 cases are currently under investigation.
- 3.9 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 resource restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. However, 11 cases have been closed in this period with an increase in recoverable Housing Benefit of £13,085.57 and a preventative saving of £3,575.68.
- 3.10 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.
- 3.11 Data Protection Requests – 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 five DPA requests from the Police and other authorities.
- 3.12 A table showing the savings made by the Counter Fraud team in the first half of the year 2020-2021 can be found at Appendix C.

4 Financial appraisal

- 4.1 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 C.

5 Legal implications

- 5.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

6 Risk management implications

- 6.1 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.

7 Equality analysis

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

8 Environmental sustainability implications

8.1 Not applicable.

9 Appendices

9.1 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 – Outstanding recommendations/actions

Appendix C – Counter Fraud work and savings

10 Background papers

10.1 Internal Audit reports issued throughout the year.