

Report to: Audit AND Governance Committee

Date: 3rd March 2021

Title: Internal Audit and Counter Fraud Report for the first three quarters of the financial year 2020-2021 to the end of December 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 three quarters of the financial year - 1st April 2020 to 31st December 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 Governance 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 Governance 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 three quarters of 2020-21.

- 2.1 A list of all the audit reports issued in final from 1st April 2020 to 31st December 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
Leaseholder Management and Recharges	Partial Assurance
Business Continuity Planning	Minimal Assurance
Procurement	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.

Implementation of the Cx Housing System
Arrears Collection
Officers Expenses
IR35

- 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 Corporate Management Team have recently expressed concern about the Minimal assurance rating that was given to the audit review of Business Continuity Planning. They wish it to be made clear that the council responded and adapted to the Covid restrictions and demands in a very prompt and efficient manner. While the Audit team have not yet reviewed these responses, it is clear that this is indeed the case. However, the audit was undertaken to ensure that the council had Business Continuity Plans in place. It was found that the plans and activities for Business Continuity Plan arrangements for the council were outsourced to East Sussex County Council but that this work was on hold because of the pressure of work around Covid. Some Business Continuity Plans were written purely in response to the pandemic but had not been in place before this and they appear to be specifically related to the Covid response. Therefore, the assurance level given was “minimal” because the process of having Business Continuity Plans in place, and kept up to date, was not in place. This should be seen as a separate issue to the response of the council to the Covid pandemic which appears to have been timely and effective.
- 2.6 During this quarter the team has also continued to give advice to various departments on a variety of subjects. Members of the team are also involved with various projects usually being members of meetings or project boards. Some of these include Document Management, Workplace 2021 and AI – Bots.
- 2.7 The Internal Audit team is currently carrying two vacancies. Corporate Management Team agreed that one of the posts could be filled and a recruitment process has been carried out. Interviews were undertaken in December and the successful applicant will commence work with the council on 18th January.
- 2.8 Two members of the team are undertaking the Internal Audit Practitioner Apprenticeship funded through the government’s Apprenticeship Scheme. The apprenticeship is devised by the Chartered Institute of Internal Auditors (Chartered IIA) which is the recognised professional body for internal auditing in the UK and Ireland. The apprentices are members of the Chartered IIA. As part of the apprenticeship they will complete the:
- IIA Certificate in Internal Audit and Business Risk
 - Certified Internal Auditor (CIA) – Part 1 – Essentials of Internal Auditing
- Completion of the IIA Certificate leads to the IACert designation, and completion of CIA Part 1 leads to the award of the Internal Audit Practitioner designation.
- 2.9 For the audit plan this financial year, the number of audit days available were allocated to departments based on the size of the departments as a percentage

of the organisation. A suggested plan of audits was proposed for the year based on these percentages. The intention was to enable the plan to be flexible. For example, if a piece of work was requested which was not in the plan then it could be carried out within that percentage allocation by dropping one of the planned audits in that area. In this way an adequate breadth of coverage could be ensured which is essential for the “opinion of the Chief Internal Auditor on the control environment” which has to be made at the end of the financial year.

2.10 This flexibility has proved invaluable this year with the effects of the response to the Covid-19 pandemic having a major impact on the work of the council. Most notably with Tourism and Enterprise being seriously impacted and with events cancelled and venues closed, the work on auditing these areas will not be taking place this financial year.

2.11 The table below shows the work carried out by the Internal Audit team in the first three quarters of the year by percentage across the main areas services compared to that planned for the whole.

Area	Planned	Actual
Regeneration	12%	3.32%
Tourism and Enterprise	9%	0.31%
Service Delivery	37%	45.79%
Corporate Services	42%	50.58%

2.12 A small amount of work was carried out under Tourism in preparation for a review that did not then take place. The percentages should be nearer to the planned figures in the next report after other audits have been completed.

2.13 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 three quarters of 2020-21.

3.1 The Counter Fraud 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. The team continues to target the high risk and value areas of tenancy housing while also undertaking other exercises as detailed below. However, due to the effect of Covid-19, this has had a direct impact on work which is explained in more detail under each sub section.

3.2 Housing Tenancy – The team continues to work closely with colleagues in Homes First and Legal. There are currently 10 ongoing sublet/abandonment tenancy cases at various stages. Four Housing Applications are also currently being investigated with the possibility of further action to be taken by the Counter Fraud team. Six other tenancy fraud cases were closed with no further action

being required.

- 3.3 Right to Buy – There continues to be an increase in applications in the 3rd quarter, as Covid-19 restrictions were gradually lifted. 19 cases are currently being checked to prevent and detect fraud and protect the authority against money laundering. Six cases were withdrawn during this period with a net saving to the authority of £505,900.
- 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. Planned work on Housing Allocations and Applications has been put on hold due to other work commitments.
- 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. The Counter Fraud team are currently undertaking post verification work as requested by the Department for Business, Energy and Industrial Strategy. This work involves reviewing a sample of grant applications in each scheme for evidence of fraud or non-compliance. Over 200 applications have currently been reviewed with the commencement of recovery action for any incorrectly awarded grants. Further schemes have been announced in January 2021 following the latest national lockdown measures and it is expected, therefore, that post verification work will carry on into the new financial year.
- 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 two business rate bills with a net income of £6092.69 generated to the authority. Four other cases have been closed with no further action being required.
- 3.7 Council Tax – 14 cases have been investigated during this period with a net recoverable income of £7,217 generated for the authority. A review of Council Tax exemptions/disregards has also commenced.
- 3.8 Council Tax Reduction - Seven cases have been closed in this period generating a recoverable income of £2,850 and a preventative saving of £2864.
- 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 resources restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. However, six cases have been closed in this period with an increase in recoverable Housing Benefit of £15,286 and a (WIB) preventative saving of £4,848. A further £498.99 was also recovered from historic Adpen collection.
- 3.10 Housing debtors – The team have commenced a project to look at debt avoidance where loans have been made to assist with securing housing and have remained outstanding following existing methods of contact. So far, this activity has recouped £834.90 in this period which otherwise might have been

written off.

- 3.11 National Fraud Initiative – The Counter Fraud team have provided the mandatory datasets for the 2020/21 exercise. The first set of results are expected to be received in early February 2021.
- 3.12 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 23 DPA requests from the Police and other authorities. In addition, five HMO checks were completed in the 3rd quarter.
- 3.13 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 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

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

Internal Audit reports issued throughout the year.