

Report to: AUDIT AND STANDARDS COMMITTEE

Date: 14th March 2022

Title: Internal Audit and Counter Fraud Report for three quarters of the financial year 2021-2022 – 1st April to 31st December 2021.

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 three quarters of the financial year 2021-2022 – 1st April to 31st December 2021.

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 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.
- 1.3 This report summarises the work carried out by Internal Audit and Counter Fraud across the first three quarters of the financial year 2021-22.

2 Review of the work of Internal Audit carried out in the first three quarters of the financial year 2021-22

- 2.1 During the year to date 16 final reports and 16 follow up reports have been issued. In the last quarter 9 final reports, 7 follow up reports and 3 draft reports have been issued.
- 2.2 A list showing all the reports issued during the year, along with assurance levels given, can be found at Appendix A. This list also shows audit reviews carried

out in the last financial year where follow ups are still being carried out. Lines greyed out are showing that follow ups are not being carried out.

- 2.3 Where there are outstanding recommendations after a follow up has been carried out, these are listed at Appendix B. This table also gives the feedback from managers made at the last follow up review.
- 2.4 There are two audit reviews which have outstanding recommendations following two follow ups and one following three follow ups. All three had follow up reviews carried out in December and further reviews will be carried out in three months. A summary of these follows but full details are contained in Appendix B.
- Business Continuity Planning – Third follow up:
- Writing of the plans was to be carried out by East Sussex County Council. However, the officer there has left and the work is now to be carried out by the councils' own Emergency Planning Officer.
- Procurement – Second follow up:
- Work is reported as ongoing. The Strategic Procurement Manager post was part-time but has been made full-time as of January 2022.
- Members Allowances – Second follow up:
- Owing to Covid restrictions few claims have been presented so there has been little, or nothing, to test at follow up.
- 2.5 At the beginning of the financial year the work of the team was impacted by carrying a vacancy and the absence of a team member for an extended period. This highlighted the lack of resilience within the team. The request to fill the vacant post was therefore agreed and recruitment was carried out in October, with the new Auditor taking up the post on 10th January 2022.
- 2.6 At the same time the structure of the Internal Audit team was reviewed following the checking of the Benefits Subsidy Claim work being handed back to Customer First. This work was a substantial part of the Senior Auditor role. The review was undertaken to ensure the internal audit service had the appropriate structure and resources to effectively deliver the internal audit remit in line with the Public Sector Internal Audit Standards. The outcome of the review was that, due to the substantial part of the Senior Auditor role being lost, the post was no longer required and resources could be better deployed to provide more cost-effective auditing hours, whilst delivering a more resilient and professional service.
- 2.7 Following consultation, this was agreed, and the new structure came into effect on 1st January 2022. A recruitment exercise for the newly formed Auditor post is currently ongoing.
- 2.8 Once the team is fully resourced, and initial training has been completed, further reviews of ways of working will be carried out. This will be carried out to ensure that the ways that audits are planned, carried out and reported are also up-to-date, professional and provide the best service possible.
- 3 Review of the work of Counter Fraud carried out in the first three quarters of the financial year 2021-22**
- 3.1 Cases have continued to be built and monitored during the easing of lockdown restrictions, with the team responding to new and emerging fraud risks following the release of Covid-19 support packages to businesses and individuals.

- 3.2 A trial at Chichester Crown Court was heard in December 2021 where a former Lewes District Council tenant was found guilty of two counts of fraud for two separate Right to Buy applications. The sentence hearing is due to be heard in late January 2022 with publicity of the result to be released soon afterwards. The property has already been returned to the council following a successful civil court case in 2021. The Counter-Fraud, Legal and Homes First teams put a significant amount of work into this case which is only the second ever Right To Buy criminal prosecution made by the council.
- 3.3 Housing Tenancy – The team continue to work closely with colleagues in Homes First and Legal to build on the existing investigations and find possible solutions in response to Covid-19 restrictions and the backlog HM Courts are currently facing. There are 47 ongoing sublet/abandonment tenancy cases at various stages. Three cases were closed during this period.
- 3.4 Right to Buy – There continues to be a steady volume of applications. 12 cases are currently being checked to prevent and detect fraud and protect the authority against money laundering. Two applications were stopped, resulting in a saving of £169,200 to the authority with another application to be confirmed withdrawn once crown court sentencing is decided. 13 cases which have either been approved for sale or have withdrawn still require a home visit, however with a changing Covid-19 situation the safety of tenants and officers has taken priority and therefore verification visits have been delayed.
- 3.5 Housing Applications – The team are working directly with colleagues in Homes First to implement additional counter-fraud measures to ensure the limited housing stock that is available will only be allocated to those in genuine need.
- 3.6 National Non-Domestic Rates – 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 business rate bills with a net income of £58,244.62 generated to the authority. Seven cases have been closed during the year with a number still under review.
- 3.7 Council Tax – Seven cases have been investigated during the third quarter with a net recoverable income of £823.52 generated for the authority and a preventative saving of £5158.40. A review of Council Tax exemptions/disregards is also planned to begin during the 4th quarter.
- 3.8 Council Tax Reduction – Three cases were closed in this period with a recoverable overpayment of £850.42 from one claim.
- 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 investigated Housing Benefit. However, this has begun to change, with 26 cases closed in this period generating recoverable Housing Benefit overpayments of £56883.76 and a preventative saving of £8323.20.
- 3.10 National Fraud Initiative - The 2020/21 exercise is ongoing with the team currently prioritising data matching for the Covid-19 business grants. 23 cases were closed during this period with one incorrectly paid grant found to the value of £10,000 (any monies recovered are transferred back to Central Government so have not been included in the table of savings at Appendix C).
- 3.11 Data Protection Requests – The team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity.

During this period the team have dealt with 11 DPA requests from the Police and other authorities. In addition, 10 Gas Safety checks were completed on council properties where the tenant has not responded.

- 3.12 Four allegations were received from the general public were closed down due to either insufficient information/contact details or the matter did not relate to a council concern.
- 3.13 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 team are currently continuing undertaking post verification work as requested by the Department for Business, Energy and Industrial Strategy. This includes sample checking on each of the grant schemes and reviewing applications where only one grant has been applied for as this has been identified as an area of higher risk of fraud. A report providing an update on this work will be provided separately.
- 3.14 One of the team was selected as a finalist for the 'Outstanding Investigator' category at the 2021 'Tackling Economic Crime Awards' held in December. These awards are independent and aim to recognise outstanding contributions in tackling all areas of economic crime – the awards showcase the very best organisations, teams, individuals, and initiatives across the public and private sector.
- 3.15 A table showing the savings made by the Counter Fraud team in the first three quarters of 2021-2022 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 – Audit reports issued and follow ups

Appendix B – Recommendations outstanding after follow ups
Appendix C - Counter Fraud savings.

10 Background papers

10.1 Internal Audit reports issued throughout the year.

Jackie Humphrey
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