

Report to:	Audit and Standards Committee
Date:	20th March 2023
Title:	Internal Audit and Counter Fraud report for the three quarters of the financial year 2022-2023 – 1st April 2022 to 31st December 2022
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 three quarters of the financial year 2022-2023 – 1st April 2022 to 31st December 2022.
Officer recommendation(s):	That the update on the work of Internal Audit and Counter-Fraud 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 for the first three quarters of the financial year 2022-23.

2 Review of the work of Internal Audit carried out in the first three quarters of the financial year 2022-23

- 2.1 Appendix A lists all reports that have been issued in the first three quarters of the year.
- 2.2 There are 22 reports issued in the year that were follow up reviews. Most notable is that there were three which were fourth follow ups and one that was a fifth. It should also be noted that 12 of the follow up reviews will need to be repeated because there are still recommendations outstanding. The impact of this on the team is discussed at 2.7. There will inevitably be an impact on the assurance level to be given to the overall control environment at the end of the year.

2.3 Appendix B lists all the audits which are still subject to follow up reviews. The table shows the results of all follow ups carried out and when the next follow up is due. When all recommendations have been addressed, this will be reported once and then that audit will be removed from the list.

2.4 Appendix C lists all the outstanding recommendations against reports after one or more follow ups have been carried out.

2.5 Of the audits listed in Appendix C the following should be noted:

Outstanding after 5 follow ups

- Business Continuity Plans: 1 high risk recommendation outstanding – this recommendation was around departments writing their individual business continuity plans. The Auditor was informed that some of these had been written but no evidence was provided when it was requested. NB. this review has had the assurance level lowered to Partial due to the recommendation not being addressed after 5 follow ups.

Outstanding after 4 follow ups

- Leaseholder Management and Recharges: 2 medium risk recommendation outstanding – this is to update the handbook and to publish the handbook and other documents on the website. Work on this has been progressing but there have been new fire safety regulations issued and so a further consultation is currently ongoing. Once completed, the handbook and other documents will be published on the website.
- Arrears Collection: 1 low risk recommendation outstanding – this recommendation is to write an overarching Corporate Arrears Collection Strategy. At the latest follow up the Deputy Chief Finance Officer has indicated that the target for completion is April 2023.

Outstanding after 3 follow ups

- Procurement: 5 medium recommendations are outstanding – four other recommendations were addressed between the second and third follow up, demonstrating that progress is being made. The next follow up is due in January.
- Members Allowances: 2 medium recommendations outstanding – at previous follow ups there have not been enough claims to test. However, further testing carried out at the third follow up found further errors. The Auditor was informed that online claim forms are being developed to attempt to reduce the potential for errors.
- Officers Expenses: 5 low risk recommendations outstanding – it is the opinion of Internal Audit that five of these recommendations are easy to address but have not been actioned. N.B. For this reason the overall assurance level has been reduced to Partial.

Outstanding after 2 follow ups

- Love Clean Streets: 1 high risk remains outstanding, but work is currently ongoing to address this recommendation. The next follow up is due in January.

2.6 Appendix C was discussed at Corporate Management Team on 8th February, 2023. The Chief Executive has asked members of the Corporate Management

Team to review the outstanding recommendations and try to have them addressed.

- 2.7 As has been previously reported, the Audit team consists of an Audit Manager, three Auditors and one vacant Auditor post. One of the three Auditors has been in post for just one year and another for about seven months. The vacancy was advertised in November. However, there was a lack of suitable applicants and so no one was interviewed. The post is currently being re-advertised.
- 2.8 As well as having two new staff who have been learning the job, and carrying the vacancy, the work of the team is being hugely impacted by the number of follow ups that need undertaking because of recommendations not being addressed. As stated at 2.2, 22 follow up reviews have been carried out during this financial year. This averages at seven follow up reviews per quarter. This is not sustainable for the team as it means that few new audit reviews can be undertaken while so much time is being taken up in carrying out follow up reviews.
- 2.9 The team has also noted that it is becoming increasingly difficult to get responses from staff generally. This holds up the process of auditing and creates more work in chasing responses. As an example, there is currently a report issued in draft in early October for which the Auditor is still awaiting final comments. This is clearly a symptom of the pressures of higher workload and fewer staff. The Chief Internal Auditor and the Audit Manager continue to speak to managers to try to resolve this issue but there may not be one simple solution.
- 2.10 Some findings from reviews have been subject to deeper discussions with departments where the risks are higher. This has involved providing more detailed information and appropriate evidence to support the department to take further action outside of the audit process
- 2.11 The Chief Internal Auditor has carried out a Health and Safety investigation when the Specialist Advisor Health and Safety was on leave. The Chief Internal Auditor has also been supporting a range of project teams to provide feedback and challenge as the projects progress. This is a relatively new process and consideration needs to be given to how this work will be reported.
- 2.12 The Audit Manager is undertaking the Operations/Departmental Manager Apprenticeship and continues to effectively implement her new knowledge and skills in recruitment and induction, people management, and performance management. This is part of the drive for continuous improvement in the Internal Audit team. The overall aim is to train the whole team to a more professional level and to improve the process and reporting of audits. This is currently at an early stage but a start has been made by reviewing and updating current Audit policies and the Audit Manual.

3 Review of the work of Counter Fraud carried out in the third quarter of the financial year 2022-23

- 3.1 Housing Tenancy – The Counter Fraud team continues to work closely with colleagues in Homes First and Legal - there are currently 37 ongoing sublet/abandonment tenancy cases at various stages. Two properties were returned to the council in the quarter generating a saving of £186,000 to the authority. One other case under investigation has signed a notice to quit, the property is now due to return to the council in the next quarter.
- 3.2 Crown Court prosecution – A father and daughter who attempted to dishonestly buy a council property in Lewes through the Right to Buy scheme, pleaded guilty

to two counts of false misrepresentation at Lewes Crown Court in December 2022. They were both handed 10-month prison sentences (suspended for 20 months) and ordered to pay £3,000 costs to the council and 200 hours of unpaid work. A considerable amount of work was undertaken in the investigation and legal process of this case, with the Judge Van der Zwart adding at the sentencing hearing in January 2023 “It’s a testament to the diligence of the local authority enquiry team that they uncovered your dishonesty”.

- 3.2 Right To Buy - There continues to be a steady volume of Right To Buy applications since autumn 2021. Four cases are currently either being checked to prevent and detect fraud and protect the authority against money laundering with 23 previously withdrawn applications still requiring a home visit to verify residential status. Three applications were withdrawn in this period resulting in a net preventative saving of £261,600 with another to come following the successful crown court prosecution above. Five other application were verified for sale.
- 3.3 Housing Applications/Homeless Placement – 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. One case was closed down in this period with no further action.
- 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. Additional counter-fraud training was delivered during this period to new triage officers undertaking pre-assessment of any new presentations for housing assistance.
- 3.5 Covid -19 Business Grant Fund – The team have been undertaking post verification checks to include evidence sampling of random cases selected by the Department for Business, Energy and Industrial Standards (BEIS). BEIS have confirmed all sample evidence has been received for the 10 different schemes, further checks are now being made by BEIS and the National Audit Office with the outcome expected in 2023.
- 3.6 Energy Rebate Scheme – six payments of the £150 support paid to the liable Council Tax payer to assist with the increase in energy bills have been found to have been received in error, recovery work on these payments has now commenced.
- 3.7 Council Tax – 17 cases have been investigated where discounts/exemptions were being claimed which have resulted in rebilling with a net recoverable income of £27,478.55 generated for the authority and a preventative saving of £10,546.56. A review of Council Tax exemptions/disregards is ongoing and includes work with National Fraud Initiative matching data held between Council Tax Records and Electoral roll. A further five cases have been reviewed with a net recoverable income of £5,498.65 generated along with a preventative saving of £16,355.68 (these figures are included within National Fraud Initiative savings below).
- 3.8 Council Tax Reduction – Three cases were reviewed in this period generating a total overpayment of £1,484.54 and a preventative saving of £959.68. 3 other 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

resources restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. However, this has begun to change, with 13 cases closed in this period with one case generating an overpayment of £458.19 and a weekly incorrect saving of £89.60.

- 3.10 National Fraud Initiative – The final 82 cases from the 2021/22 exercise have now been closed with no further action. The data collection for the 2022/23 exercise has now been completed, it is expected the first batch of results will be released by the Cabinet Office in March 2023.
- 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 15 Data Protection Act requests from the Police and other authorities. Four Gas safety checks were also completed where the housing tenant had failed to engage with the annual compliance reviews.
- 3.12 A table showing the savings made by the Counter Fraud team in 2022-2023 can be found at Appendix D. A table has been added to this appendix to give an explanation of how the amounts have been calculated.

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 D.

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 reports issued during the year.
- 9.2 Appendix B - Position of audits requiring follow up.
- 9.3 Appendix C - Recommendations outstanding after follow-ups.
- 9.4 Appendix D - Counter Fraud savings.

10 Background papers

- 10.1 None.