

Report to:	Audit and Governance Committee
Date:	4th September 2023
Title:	Internal Audit and Counter Fraud report for the first quarter of the financial year 2023-2024 – 1st April 2023 to 30th June 2023
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 2023-2024 – 1st April 2023 to 30th June 2023.
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.
- 1.3 This report summarises the work carried out by Internal Audit and Counter Fraud during the first quarter of the financial year 2023-24.

2 Review of the work of Internal Audit carried out in the first quarter of the financial year 2023-24

- 2.1 During the quarter, work continued on audit reviews begin in the previous year and starting work on the annual audit reviews for 2022-23. In the quarter, six reports were issued in final, five of which were follow ups. Three other reports were issued in draft and were awaiting responses from managers to the recommendations made.
- 2.2 Appendix A lists all the audit reports issued during the quarter. The first table shows all the follow up reports issued and the second table is the list of all other audit reports issued.

2.3 During the first quarter of the year, the focus of work has to move to carrying out the annual audits. These cover the main financial systems and are carried out on the processes followed in the previous year. These are required by the external auditors and also inform the Section 151 Officer of the control environment in these areas. Work is therefore ongoing on the reviews covering the work of 2022-23. There are 11 audits which have to be carried out every year.

Payroll
Debtors
Creditors
Housing Rents
Housing Benefits and Council Tax Reduction
IT
Council Tax
National Non Domestic Rates (Business Rate)
Cash and Banking
Main Accounting
Treasury Management

In previous years equal coverage has been given to the 11 reviews. However, it is felt that, by doing this, it is not possible to give some areas a full, in-depth review. Therefore, this year, a new approach is being trialled. Every year, some areas will have an in-depth review and others will have a lighter-touch review which covers the main controls. In following years other areas will have the in-depth review, ensuring that all areas have regular in-depth.

2.4 Appendix B is the list of all the audits that are still subject to follow up reviews. It shows the results of all the 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

2.5 Of the reviews in Appendix B, the following is noted:

- Business Continuity Planning – Plans for Finance and Service Delivery have now been finalised. The plan for Neighbourhood First is now in draft.
- Arrears Collection – the action for the outstanding recommendation has been delayed owing to the departure of the Deputy Chief Finance Officer.
- Love Clean Streets - the follow up is ongoing but awaiting responses from managers.
- Construction Industry Tax – delayed due to work on annual audits

2.6 Appendix C is a list of all outstanding recommendations and includes the latest responses from managers.

Business Continuity Plans - At the time of the last report, a plan was outstanding for Neighbourhood First. Also, five for Service Delivery areas and one for Finance were drafted and awaiting sign off. Updates were therefore requested. The Regulatory Services Lead confirmed that all the Service Delivery plans and the

one for Finance have now been signed off by East Sussex County Council. At the time of writing this report no response had been received with regard to the outstanding Neighbourhood First

Construction Industry Tax – This has been delayed while work is carried out on annual reviews.

- 2.7 As has been previously reported, the Audit team has been carrying a vacancy for nine months. Two recruitment exercises were carried out without being successful in filling the post. A preferred candidate was offered the post and has accepted. No start date has yet been agreed.
- 2.8 The aspiration for the team is to have all internal auditors trained to a similar standard. With this in mind, all auditors have been undertaking Excel training. One auditor is currently undertaking an IT Audit fundamentals course and another a Data Analytics for Auditors course. The Audit Manager is completing a Level 5 Operations/Departmental Manager Apprenticeship course.
- 2.9 With a view to utilising data analytics techniques to aid in audit reviews, the Audit Manager and one of the Internal Auditors are members of the core group running and championing the Institute of Internal Auditors' Local Authority Data Analytics Working Group.

3 Review of the work of Counter Fraud carried out in the first quarter of the financial year 2023-24

- 3.1 The team continues to target the high risk and high value areas impacting the council, in particular Tenancy and Revenue fraud. The team have also undertaken post assurance work on Energy Grants and begun assisting with multiple agencies in tackling Modern Slavery offences within our community.
- 3.2 Housing Tenancy – the team continues to work closely with colleagues in Homes First and Legal Services. There are currently 46 ongoing sublet/abandonment tenancy cases at various stages. Two properties were returned to the council during this period generating a saving of £186,000, with five other cases were closed during this quarter with no further action.
- 3.3 Right To Buy - After a quiet period at the start of the year, we have begun to see an increase in applications from April 2023. This is in part related to the increase in the maximum discount which, following the consumer price index, now stands at £96,000. 33 cases are currently either being checked to prevent and detect fraud, and protect the authority against money laundering, or waiting for a home visit to verify residential status. Three applications were withdrawn during this period following verification checks, resulting in a net preventative saving of £288,975 (including property survey costs).
- 3.4 Housing Applications – the team continues to work with the Housing Allocations team following their review of the Housing Register in 2023/24 which removed 592 applications either due to withdrawal or no response. A new review will commence within the year with any highlighted fraud cases passed to the Counter Fraud team to investigate.
- 3.5 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. This included providing refresher training to staff around credit checks and land registry systems to verify and reduce error and fraud.

- 3.6 Energy Rebate Schemes - following the closure of the latest Energy Rebate Scheme, the team have commenced post assurance review of all the applications made and will liaise with the Government in their fraud and error reporting and payment verification work.
- 3.7 Council Tax – three cases have been investigated during the quarter as part of a review of Single Person Discounts, Exemptions and Disregards with a net recoverable income of £727.84 generated for the authority and a preventative saving of £1033.60. A review of Council Tax exemptions/disregards is ongoing and includes work with the National Fraud Initiative (NFI) matching data held between Council Tax Records and Electoral Register. 506 cases have been reviewed in this period with a net recoverable income of £6265.90 generated along with a preventative saving of £5653.18 (these figures are included within NFI savings table below).
- 3.8 Council Tax Reduction – one case was investigated during the quarter with no change to existing entitlement.
- 3.9 National Non-Domestic Rates - four cases were investigated during this period following a discrepancy found with a previously claimed Covid-19 business grant, the investigation was closed with no further action.
- 3.10 Housing Benefit – The team continue to work closely with the Department for Work and Pensions (DWP) and our colleagues in the Benefits section. Due to resource restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. Over this period, 15 cases were closed with no further action.
- 3.11 National Fraud Initiative (NFI) – The 2023/24 is already underway with the team concentrating on discrepancies on the Council Tax side as detailed above.
- 3.12 Data Protection Requests – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During the quarter the team dealt with 15 data protection requests from the Police and other authorities. In addition, two fit and proper person checks were completed for new, or renewal Housing of Multiple Occupancy licences.
- 3.14 Modern Slavery – the team have joined working operations with multiple Government Agencies and Sussex Police in tackling potential Modern Slavery offences across the district. The council has assisted in providing information in support of one investigation within this quarter.
- 3.15 A table showing the savings made by the Counter Fraud team in the first quarter of 2023-2024 can be found at Appendix D.

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