

**Report to:** AUDIT AND GOVERNANCE COMMITTEE

**Date:** 13<sup>th</sup> November 2023

**Title:** Internal Audit and Counter Fraud Report for the second quarter of the financial year 2023-2024 – 1<sup>st</sup> April 2023 to 30<sup>th</sup> September 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 second quarter of the financial year 2023-2024 – 1<sup>st</sup> April 2023 to 30<sup>th</sup> September 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

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## **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 second quarter of the financial year 2023-24.

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

- 2.1 During the quarter, work has continued on carrying out the annual reviews. Two reports were issued in final and another three in draft. Three further annual reviews are now at the stage of the fieldwork having been completed and draft reports are being written and checked. Work is beginning on five other annual reviews.
- 2.2 As explained at the last committee meeting, rather than carrying out full review of the 12 annual audits every year, half will have a full review and the other half a lighter touch review. The following year, the ones that received a light touch review will be given a full review. A light touch review consists of reviewing the

key controls in the area and also, a follow up of the recommendations made the previous year.

2.3 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.

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

2.6 Of the reviews in Appendix B and C, the following is noted:

Business Continuity Plans (BCPs) – The Director of Tourism, Culture and Organisational Development was asked for an update on Tourism and Culture BCPs. The response received was that some areas have had their BCPs completed and the remaining areas are due to be completed in the next few weeks.

Arrears Collection – consideration is currently being given to centralising arrears collection services. Therefore, the outstanding recommendation will be followed up once a decision has been made.

2.7 As has been previously reported, the vacancy in the team has been successfully filled and the new member of the team is now undergoing on-the-job training and an external “Introduction to Internal Audit” course has also been booked.

2.8 However, the team was carrying this vacancy for half of the current year, and this has impacted on the number of audits the team have been able to carry out. Added to this there was a three-week absence of another member of the team owing to a family bereavement.

2.9 It has previously been explained that the aspiration for the team is to have all auditors trained to a similar standard. One auditor is undertaking IT Audit and IT Risk training as well as having completed a free course on risk management provided by the Open University. Another auditor has completed a course on Data Analytics provided by the Institute of Internal Auditors (IIA). The Audit Manager is studying for an Operational/Departmental Manager Apprenticeship and is attending a CIPFA course leading to a certificate in Data Science. The Audit Manager and an auditor are members of the core group running and championing the IIA’s Local Authority Data Analytics Working Group.

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

3.1 The team continues to target the high risk and 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 One of the fraud team’s investigations was selected for the BBC ‘Fraud Squad’ series shown in September. The programme, which highlights Local Authority efforts to prevent, pursue and prosecute fraud offences, looked at a case involving a man who was charged with two counts of fraud by false representation. The man pretended to live in a 3-bedroom council property and claimed a Right to Buy discount on two occasions for £78,600 and £80,900. The

case was of particular interest to the BBC due to the level of detail obtained in the investigation and the use of covert surveillance. The property was returned to the Council, and the man received two 24-month prison sentences (suspended for 24 months). The case had also been reported in the Argus in May of 2022.

- 3.2 Housing Tenancy – the team continue to work closely with colleagues in Homes First and Legal Services. There are currently 31 ongoing sublet/abandonment tenancy cases at various stages. One property was returned to the council during this period generating a saving of £93,000. One other property was subject to a successful possession hearing at court, the council is now waiting on bailiff enforcement before this property returns to housing stock. 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 there has been an increase in RTB 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. 34 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. Seven applications were withdrawn during this period following verification checks, resulting in a net preventative saving of £621,150 (including property survey costs).
- 3.4 Housing Applications – the team continue 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 Housing Options/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. One homeless placement was cancelled during this period following involvement by the Counter Fraud team, this created a £12,000 saving to the authority.
- 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 – six 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 £8,365.72 generated for the authority and a preventative saving of £1,538.88. A review of Council Tax exemptions/discounts is ongoing and includes work with the National Fraud Initiative (NFI) matching data held between Council Tax Records and Electoral Register. 220 cases have been reviewed in this period with a net recoverable income of £15,886.89 generated from the removal of discounts along with a preventative saving of £25,893.10.
- 3.8 Council Tax Reduction – six cases were investigated during the quarter with one case resulting in a recoverable overpayment of £4505,28 and a preventative saving of £2,165.12.
- 3.9 National Non-Domestic Rates - two cases were investigated during this period following a discrepancy found with a previously claimed Covid-19 business grant, the investigations were closed with no further action.

- 3.10 Housing Benefit – the team continue to work closely with the Department for Work and Pensions (DWP) and 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. Over this period, 39 cases were closed with a combined recoverable overpayment of £3,648.14 and preventative saving of £2,65.28.
- 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 seven DPA requests from the Police and other authorities.
- 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.
- 3.15 A table showing the savings made by the Counter Fraud team in the second 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**

Not applicable

#### **9 Appendices**

Appendix A – List of reports issued during the year

Appendix B – Position of audits requiring follow up

Appendix C - Recommendations outstanding after follow-ups

Appendix D – Counter Fraud savings.