

Report to: AUDIT AND GOVERNANCE COMMITTEE

Date: 11th March 2024

Title: Internal Audit and Counter Fraud Report for the three quarters of the financial year 2023-2024 – 1st April 2023 to 31st December 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 three quarters of the financial year 2023-2024 – 1st April 2023 to 31st December 2023.

Officer recommendation(s): That the information in this report be noted and members identify any further information requirements.

The committee is requested to consider and approve the Audit Charter.

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.

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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 first three quarters of the financial year 2023-24.

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

- 2.1 During this quarter, four follow ups reports have been issued in final and a further six have been issued in draft. Eight audit reviews have been issued in final with a further three issued in draft.
- 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 – a report will be issued for each part of the light touch review.

- 2.3 Historically the assurance level given to reviews of annual audits (mainly financial systems) have been reported, but not the recommendations made. With the change in how annual audits are carried out, including follow ups, this now allows for greater transparency with outstanding recommendations being reported.
- 2.4 It is now intended to make a list of recommendations from annual audits that can be regularly reviewed. For example, discussing the list of recommendations related to Finance at monthly department management team meetings.
- 2.5 Appendix A lists all the audit reports issued during the year. The first table shows all the follow up reports that have been issued and the second table is the list of all other audit reports issued.
- 2.6 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. Currently, annual audits have not been added to this list as how follow ups will be carried has not yet been decided.
- 2.7 Appendix C is a list of all outstanding recommendations and includes the latest responses from managers. A second table has been added to show outstanding recommendations related to annual audits. The exact layout of this table has yet to be finalised which is why it currently appears to be partially completed.
- 2.8 Of the reviews in Appendix B and C, the following is noted:

Business Continuity Plans – Only Tourism plans are outstanding. The Senior Events and Seafront Manager has been contacted with regard to plans in his area and these have not yet been completed though he has contacted the Regulatory Services Lead for assistance.

Following comments made at the November Audit and Governance Committee meeting, the Director of Tourism, Culture and Organisational Development was contacted for comment regarding other areas of Tourism. No response was received.

Sovereign Centre – the Director of Tourism, Culture and Organisational Development has confirmed that there is a delay with the transfer of the business. Therefore, the Operations Manager has been contacted to provide an update on the recommendations made in the audit review.

Arrears Collection – as previously explained, arrears collection services are being centralised under Customer First. The outstanding recommendation is regarding writing an overarching strategy/policy and was addressed to the Deputy Chief Finance Officer. With this current change, the Lead for Income Maximisation and Welfare was contacted about this recommendation. He has explained that this has already been included in the Income Maximisation and Welfare priorities for 2024/25. He added that the aim is to start work on a Corporate Fair Debt Policy in 2024/25 with a view to it coming into effect in 2025/26, possibly sooner.

- 2.9 As has been previously explained, the team were carrying a vacancy which impacted on the work produced. Last quarter it was reported that the post had been filled, with training ongoing. It is believed that the output of the team in the

quarter being reported shows that the team are now performing efficiently and more attention can now be given to other areas of performance such as using data analytics and improving reporting.

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

- 3.1 The team continue 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 the community.
- 3.2 Housing Tenancy – The team continue to work closely with colleagues in Homes First and Legal Services. There are currently 40 ongoing sublet/abandonment tenancy investigations at various stages. Two cases were closed following the return of both properties with a net value to the authority of £186,000. 11 other investigations were closed during this quarter with no further action.
- 3.3 Right To Buy - The third quarter has shown a marked decrease in new applications from previous quarters. 11 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 cases were closed during this period following the applications being withdrawn, resulting in a combined net preventative saving of £262,000. One other application is now closed following completion of the property purchase.
- 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 710 applications either due to withdrawal or no response. A new review will commence within the year with any highlighted fraud cases passed to the 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.
- 3.6 Rent in Advance Loans debt recovery - the team have also been looking into debt avoidance where loans have been made to assist with securing housing and have remained outstanding following existing debt recovery methods of contact. This activity has recouped £2,799.22 during this period which otherwise might have been written off.
- 3.7 Energy Rebate Schemes - the Counter Fraud team are currently waiting on Government instructions to commence post assurance reviews of a selection of applications made following the closure of the latest Energy Rebate scheme.
- 3.8 Home Upgrade Grant – after the government’s announcement to award a combined grant funding of £6,230,700 for home energy improvements to eligible homes within Eastbourne Borough, Hastings Borough, Lewes District and Rother District Councils, the team have been working with the scheme leads to reduce the risk of fraud by implementing enhanced verification checks and officer training in fraud prevention.
- 3.9 Council Tax – following the implementation work on the new Revenues and Benefit system during this quarter, no reviews or amendments to accounts were possible while the system migration work was ongoing. As a result, a proportion of accounts/claims where the Counter Fraud team have highlighted that

amendments are required are waiting to be assessed. Six cases have been closed following an investigation during the quarter as part of a review of Single Person Discounts, Exemptions and Disregards with a net recoverable income of £12,138.19 generated for the authority and a preventative saving of £3,678.40. 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. 155 cases have been reviewed in this period with a net recoverable income of £3,820.83 generated along with a preventative saving of £8,193.28 (these figures are included within National Fraud Initiative savings in the table at Appendix D).

- 3.10 Council Tax Reduction – nine cases have been closed in this quarter generating a total recoverable income of £4,468.51 and a preventative saving of £3965.76.
- 3.11 National Non-Domestic Rates - one case was investigated during this period with no further action.
- 3.12 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 a pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. Over this period, 23 cases were closed generating a recoverable Housing Benefit overpayment of £7,363.69 and a (WIB) preventative saving of £5,495.68.
- 3.13 Administrative penalties – only a small number of Administrative Penalties for historic Housing Benefit fraud cases remain outstanding. A figure of £47.57 was recovered during this period.
- 3.14 National Fraud Initiative (NFI) – the 2023/24 is already underway with the team concentrating on discrepancies on the Council Tax side as detailed above.
- 3.15 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 17 data protection requests from the Police and other authorities. In addition, one fit and proper person check was completed for a new House in Multiple Occupation licence. Three gas safety checks for council properties were completed where a safeguarding concern or possible abandonment risk was identified.
- 3.16 Modern Slavery – the team have joined working operations with multiple Government Agencies and Sussex Police in tackling potential Modern Slavery offences across the town. The council has assisted in providing information in support of eight investigations within this quarter.
- 3.17 Fraud awareness – the team have delivered fraud awareness training throughout the organisation with bespoke sessions delivered to teams within Housing, Customer Service, Council Tax and Finance. An awareness session for the Customer Service Fraud champions, Housing Needs officers and Home Upgrade Grant team were delivered during this quarter.
- 3.18 A table showing the savings made by the Counter Fraud team in the three quarters of 2023-2024 can be found at Appendix D.

4 Governance of Companies

- 4.1 The Chief Financial Officer has requested that the Audit and Governance Committee be given updates of assurance on the financial and governance arrangements of the companies.

- 4.2 It has been arranged that the Boards of the companies adding an agenda item to their quarterly meetings to consider the financial and governance arrangements and to make a statement on this. These statements will be reported to this committee. It should be noted that because of the dates of the Board meetings and the reporting schedule for this committee, there will be timing differences. However, all statements received in the quarter being reported on will be included in the report.
- 4.3 A standard statement to be used, if the relevant Board considers the arrangements to be in order, has been agreed. Boards are expected to clarify any concerns of which they are aware.
- 4.4 The following is a table showing the date of meetings where the governance statement was considered:

Company	Quarter One	Quarter Two	Quarter Three
Eastbourne Homes Ltd	27.07.23	21.09.23	14.12.23
South East Environmental Services Ltd	07.06.23	20.09.23	13.12.23
Aspiration Homes LLP	13.07.23	Meeting cancelled	No update
Cloud ConnX	19.06.23	Meeting cancelled	Postponed
Investment Company Eastbourne	Meeting cancelled	26.09.23	04.12.23
Eastbourne Housing Investment Company Ltd	12.07.23	11.09.23	No update

- 4.5 All the above meetings returned the same statement.

“Having examined all the reports brought to the meeting the Board considers that the company is compliant with its financial and governance arrangements”.

5. Review of Internal Audit Charter

- 5.1 An internal audit charter is a formal document that defines internal audit’s purpose, authority, responsibility, and position within an organisation. It describes the nature of services the function will provide but also establishes the internal audit activity’s position within the organisation, including the Chief Internal Auditor’s reporting lines and the rights of access to records, personnel and property.
- 5.2 The Chief Internal Auditor is responsible for reviewing the charter and keeping it up to date with any changes being discussed with the Corporate Management team and brought to the Audit and Governance Committee for approval.
- 5.3 The charter was due for review, and work had already commenced on this piece of work, when the external peer review was carried out in September 2023. The report issued at the end of the review noted that the charter did not cover all areas as per the Public Sector Internal Audit Standards. It recommended that the charter be amended accordingly. However, the report did not note which of the standards it was felt had not been covered but did mention that “the charter does not state that the standards are mandatory and that Internal Audit must comply with them”.
- 5.4 The Internal Audit Charter has therefore been completely rewritten to ensure that all the elements of the Public Sector Internal Audit Standards are covered.

5.5 The committee is requested to consider and approve the Audit Charter (Appendix E)

6 Financial appraisal

6.1 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.

7 Legal implications

7.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

8 Risk management implications

8.1 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.

9 Equality analysis

9.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

10 Environmental sustainability implications

10.1 Not applicable

11 Appendices

11.1 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.
Appendix E – Internal Audit Charter