

Report to:	AUDIT AND GOVERNANCE COMMITTEE
Date:	18 July 2024
Title:	Internal Audit and Counter Fraud Report for the financial year 2023-2024 – 1st April 2023 to 31st March 2024.
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 financial year 2023-2024 – 1st April 2023 to 31st March 2024.
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 across the financial year 2023-24.

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

- 2.1 During the year 18 follow up reports have been issued in final, with seven of these having been completed in the last quarter. One further follow up report is out in draft.
- 2.2 During the year 15 full audit reviews have been carried out with final reports issued, four of these in the last quarter. A further four have had a draft report issued.
- 2.3 Risk Management was shown as being in draft last quarter and it remains in draft. This is because the report had to be taken to Corporate Management Team for consideration of one issue. The report was taken but the actual decision is still being awaited.

- 2.4 Appendix A lists all the audit reports issued during the year. The first table shows all the follow up reports issued, the second table is the list of all other audit report issued in final, and the last table lists the audit reports issued in draft and awaiting responses from managers.
- 2.5 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
- 2.6 A second table has been added to Appendix B. This table lists annual audits from 21/22 where a follow up has been undertaken as part of the work on the 22/23 annual audit reviews.
- 2.7 Appendix C is the list of all outstanding recommendations and includes the latest responses from managers. A second table has been added to show recommendations from previous annual audit reviews that remain outstanding.
- 2.8 The following should be noted when reviewing the appendices:

Business Continuity Plans

Only one now remains outstanding. It was found that, owing to a member of staff leaving, the information about completing the plan had not been passed on. The relevant manager has been pointed in the right direction to obtain guidance on how to complete the plan.

Arrears Collection

As reported previously, a Corporate Fair Debt Policy is due to be completed this financial year.

Construction Industry Scheme

The manager has reported that resourcing issues are preventing work on updating procedure notes as recommended.

Annual Audits

It has previously been explained that, traditionally, follow ups have not been carried out as the audit reviews are repeated every year. However, it was noted that some recommendations were being repeated each year. Therefore, these are now being handled differently and a list of outstanding recommendations is now being taken monthly to the Finance Department Managers' team meetings. It is hoped that this will result in the recommendations being addressed. It should be noted that the Debtors review previously came under Finance and the recommendations were therefore addressed to managers in that area. However, with the move of Debtors to Customer First, the report has now been passed to that section to work on. The table will be updated with responses from Customer First as they are received.

- 2.9 At the last committee meeting, a question was raised about what work audit are planning on carrying out around Temporary Accommodation, in view of the increased costs/expenditure. A review of Temporary Accommodation was in the plan for 2023/24 and a member of the Internal Audit team was in the process of scoping the review. However, two pieces of information have altered the approach. Firstly, the Auditor felt that there was a misunderstanding /blurring of boundaries between Temporary Accommodation and Emergency Accommodation. The second piece of information came from a recent Corporate Management briefing to all staff. The Deputy Chief Executive/Director of Regeneration and Planning gave a slide presentation about the issue of

Homelessness and Temporary Accommodation. One slide showed that Emergency Accommodation placements had risen from 285 in November 2023 to 307 in February 2024, whereas Temporary Accommodation placements had remained at 64 across the same time period. For this reason, the focus of the current audit review has been changed to look at Emergency Accommodation, and a review of Temporary Accommodation will be considered for the financial year 2024/25.

3 Review of the work of Counter Fraud carried out in 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 fraud prevention work with Energy Grants and begun assisting with multiple agencies in tackling Modern Slavery offences within our community.
- 3.2 Housing Tenancy – the team continue to work closely with colleagues in Homes First and Legal services. There are currently 41 ongoing sublet/abandonment tenancy investigations at various stages. Seven cases were closed during the fourth quarter, this included the return of two council properties and re-possession of a property owned by Eastbourne Housing Investment Company Limited. 40 cases were closed during the calendar year, with the team involved with, or assisting in, the return of seven properties. A net preventive figure of £372,000 for 2023/24 has been calculated based on investigations where the team have had a significant involvement in the return of four council properties.
- 3.3 Right To Buy - the fourth quarter has shown a marked increase in new applications from the previous quarters. It is also common for a high percentage of applications to be withdrawn during this period once the increase in discount, with effect from April 24, is published. 10 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. Nine cases were closed during the fourth quarter following the applications being withdrawn. In total 15 applications have been cancelled during 2023/24 resulting in a combined net preventative saving of £1,417,375.
- 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 Fraud team to investigate. At the last meeting, questions were asked about the number of non-responders and around reports of some people being surprised that they had been removed from the list. The Housing Allocations team was contacted and the following response was received:
- Exact figures for non-responders were not noted but it was felt that it was around 20%. Investigations were made of non-responders and it was found that some had moved address and were now suitably housed. The majority of people received some sort of contact. Also, some had been removed from the list prior to this review and had not been in contact when the system was updated in 2019.
- 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. Three fraud referrals were received during the year and two homeless placements were cancelled as a result of non-residency which resulted in a preventative saving of £24,000 to the authority.

- 3.6 Rent in advance debt recovery – the team continue to look at 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 £10,160.90 during 2023/24 which otherwise might have been written off.
- 3.7 Energy Rebate Schemes – the 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 National Non Domestic Rates – 16 cases were investigated during the year, with one case resulting in the removal of a Small Business Rate Relief which resulted in a recoverable charge of £15,210.97.
- 3.10 Council Tax – 46 cases have been closed following investigation during the year as part of a review of Exemptions and Disregards, with a net recoverable income of £41,235.04 generated for the authority and a preventative saving of £16,424. A review of Council Tax Single Person Discounts is ongoing and includes work with the National Fraud Initiative matching data held between Council Tax Records and Electoral Register. 1379 cases have been reviewed during the year with a net recoverable income of £60,749.71 generated along with a preventative saving of £81,973.75.
- 3.11 Council Tax Reduction – 73 cases have been closed during 2023/24 generating a total recoverable income of £26,195.13 and a preventative saving of £28,505.60.
- 3.12 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 resource restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. Over this period, 104 cases were closed generating a recoverable Housing Benefit overpayment of £92,834.53 and a preventative saving of £64,206.72.
- 3.13 National Fraud Initiative – the 2023/24 review is already underway with the team concentrating on discrepancies on the Council Tax side as detailed above. 414 other data matches were reviewed during the year with no further action taken.
- 3.14 Data Protection Requests – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During the year the team dealt with 88 requests from the Police and other authorities. In addition, 10 fit and proper person checks were completed for a new Housing in Multiple Occupation licence. 58 gas safety checks for council properties were completed where a safeguarding concern or possible abandonment risk was identified.

- 3.15 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 21 investigations within 2023/24.
- 3.16 A table showing the savings made by the Counter Fraud team in 2023-2024 can be found at Appendix D.

4 Governance of Companies

- 4.1 The Director of Finance and Performance 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 add an agenda item to their quarterly meetings to consider the financial and governance arrangements and to make a statement on this. These statements are 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 are included in the report.
- 4.3 A standard statement has been agreed for use, if the relevant Board considers the arrangements to be in order. 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	Quarter Four
Eastbourne Homes Ltd	27.07.23	21.09.23	14.12.23	27.03.24
South East Environmental Services Ltd	07.06.23	20.09.23	13.12.23	20.03.24
Aspiration Homes LLP	13.07.23	Meeting cancelled	No update	Meeting cancelled
Cloud ConnX	19.06.23	Meeting cancelled	Postponed	See paragraph 4.6
Investment Company Eastbourne	Meeting cancelled	26.09.23	04.12.23	25.03.24
Eastbourne Housing Investment Company Ltd	12.07.23	11.09.23	No update	19.03.24

- 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”.
- 4.6 No information was provided about a meeting of the Cloud ConnX Board. As it appears that no meeting has been held since June 2023, information has been requested as to whether the correct information has not been forwarded or for a reason why no meeting has taken place. However, owing to the absence of a member of staff, no updates were received.

5 Managing the Risk of Fraud and Corruption

- 5.1 CIPFA suggests that it is good practice to make a statement on the adequacy of an authority’s counter fraud arrangements in the annual governance report.

CIPFA has published a Code of Practice on managing the risk of fraud and corruption which contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

5.2 Having considered all the principles the Chief Internal Auditor is satisfied that the council meets these by having fully resourced counter-fraud and audit teams who review the risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance policy.

6. Organisational Independence

6.1 The Internal Audit function maintains independence by ensuring that staff carry out no other duties. If an auditor is appointed from another function, that auditor will not be allowed to carry out an audit of that area for at least six months

6.2 The Chief Internal Auditor is responsible for ensuring that the Strategic Risk Register is updated and has overall responsibility for the Counter Fraud function. Therefore, any audit review of risk management or Counter Fraud is dealt with by the Audit Manager and the report will be issued in their name.

6.3 Any issues of impairment would be raised with the Director of Finance and Performance (Chief Finance Officer – s. 151 officer) and the Audit and Governance Committee.

6.4 Independence and objectivity are covered in the Internal Audit Charter which has been agreed with the Audit and Governance Committee.

7 Conforming with the Public Sector Internal Audit Standards

7.1 The Public Sector Internal Audit Standards (the standards) came into effect from 1st April 2013 and the work of the Internal Audit section is assessed for compliance against these standards annually.

7.2 A checklist for compliance has been completed and it is found that the Internal Audit function is “generally conforming” to the standards. Conformance remains at about 98% of the points listed in the standards.

7.3 There are two areas of non-compliance. These are both to do with meeting, and co-ordinating activities, with the external auditors. However, since Deloitte took over as the external auditors, they have not interacted regularly with Internal Audit, though they do meet with the Director of Finance and Performance (Chief Finance Officer – S. 151 Officer) and Deputy Chief Finance Officer.

7.4 There are two areas of partial compliance. These are both to do with the Chief Internal Auditor’s annual appraisal having the input of the Chief Executive and the Chair of the Audit Committee. It has been agreed that although these two posts are not specifically asked to contribute, they are both able to give feedback on the work of the Chief Internal Auditor throughout the year through various meetings or provide comment to the Director of Finance and Performance (Chief Finance Officer – S. 151 Officer).

- 7.5 The standards require an external review to be carried out at least every five years. Wealden, Rother and Chichester District Councils, along with Eastbourne/Lewes, agreed to carry out reciprocal external assessments in 2023/24. The external review for Lewes and Eastbourne was carried out in the summer and reported to the Audit and Governance Committee in November. The review supported the results of the self-assessment, in that the Internal Audit function generally conforms with the standards. Recommendations were made which are mostly addressed. The addition of the paragraph “Organisational Independence” in this report addresses two of these recommendations. Two other recommendations are still to be addressed. One was that the Chief Internal Auditor should have periodic meetings with the external auditors – this will be actioned with the new external auditors. The other was around the consideration of risks with regard to providing assurance for council owned companies – consideration is being given to writing audit charters for each company using Internal Audit, which will address these risks.
- 7.6 The Public Sector Internal Audit Standards are largely based on the Global Institute of Internal Auditors’ “Global Internal Audit Standards”. The Global Standards have recently been updated and have added more standards to be met. However, it is the Public Sector Internal Audit Standards that are mandatory for councils in the UK. The UK Public Sector Internal Audit Standards Advisory Board is now reviewing the new global standards to determine the implication for the Public Sector Internal Audit Standards. Any changes in these will be subject to consultation and appropriate transitional arrangements. Further information will be provided once it is issued.

8 Opinion on the control environment.

8.1 The Internal Audit team were carrying a vacancy for five months of the year. The post was filled in September and the team have been able to catch up on work and it is felt that it has still been possible to undertake an adequate breadth of coverage.

8.2 The Chief Internal Auditor is required to give an opinion of the overall adequacy and effectiveness of the control environment. The control environment is considered in three ways: the production of the Annual Governance Statement the effectiveness of Internal Audit, and the results of the work of Internal Audit.

Annual Governance Statement: see separate report being brought to this committee meeting.

Effectiveness of Internal Audit: Section 7 of this report covers the self-assessment against the mandatory Public Sector Internal Audit Standards and shows that this work is carried out in accordance with the standards.

The work of Internal Audit: as mentioned at 2.8 of this report, follow ups have traditionally not been carried out on annual audits as they are repeated every year. However, it has been noted that there were some recommendations being repeated. These are now being reported monthly to the Finance Department Managers’ team meetings, and quarterly to the Audit and Governance Committee.

While the governance framework is in place and working, and Internal Audit are carrying out their work in accordance with the Public Sector Internal Audit Standards, the opinion on the control environment has to be caveated by the repeated recommendations on annual audit reviews.

8.3 As reported last year, the Chief Internal Auditor has some concerns about risk management at the departmental/operational level. One review of the overall framework has been carried out during the year and the report is currently out in draft, awaiting agreement of the recommendations made.

9 Financial appraisal

9.1 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.

10 Legal implications

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

11 Risk management implications

11.1 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.

12 Equality analysis

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

13 Environmental sustainability implications

Not applicable

14 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.