

<b>Report to:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>Date:</b>	<b>1<sup>st</sup> March 2023</b>
<b>Title:</b>	<b>Internal Audit and Counter Fraud Report for the three quarters of the financial year 2022-2023 – 1<sup>st</sup> April 2022 to 31<sup>st</sup> December 2022.</b>
<b>Report of:</b>	<b>Chief Internal Auditor</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To provide a summary of the activities of Internal Audit and Counter Fraud for the three quarters of the financial year 2022-2023 – 1<sup>st</sup> April 2022 to 31<sup>st</sup> December 2022.</b>
<b>Officer recommendation(s):</b>	<b>That the update on the work of Internal Audit and Counter-Fraud be noted and members identify any further information requirements.</b>
<b>Reasons for recommendations:</b>	<b>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.</b>
<b>Contact Officer(s):</b>	<b>Name: Jackie Humphrey</b> <b>Post title: Chief Internal Auditor</b> <b>E-mail: jackie.humphrey@lewes-eastbourne.gov.uk</b> <b>Telephone number: 01323 415925</b>

---

## **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 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 24 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 13 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: 1 medium risk recommendation outstanding – this is to update the handbook. Work on this has been progressing but there have been new fire safety regulations issued and so a further consultation is currently ongoing.
- 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.
- Stage Door: the results of this follow up were reported in detail at the last committee meeting. The next follow up will be carried out in February.

2.6 Appendix C was discussed at Corporate Management Team on 8<sup>th</sup> 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, 24 follow up reviews have been carried out during this financial year. This averages at eight 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 17 ongoing sublet/abandonment tenancy cases at various stages. Two properties were returned to council following action by the team, with a net saving of £186,000 (based on £93,000 for each property). Six other allegations were closed down in this period with no further action. The team also assisted Homes First in tracing two tenants who had abandoned their homes, this work has led to two tenancy terminations and the return of both properties to the housing stock.

- 3.2 Right To Buy - There continues to be a steady volume of Right To Buy applications since autumn 2021. 17 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 applications were vetted during this period and, of those, five applications were withdrawn resulting in a net preventative saving of £436,000.
- 3.2 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.
- 3.3 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. One emergency placement was cancelled following an investigation by the Counter-Fraud team which resulted in an estimated saving of £12,000.
- 3.4 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.
- 3.5 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.
- 3.6 Council Tax – 18 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 £9,163.45 generated for the authority and a preventative saving of £6,690.56. 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. Eight cases were reviewed in this period with a net recoverable income of £2,427.51 generated along with a preventative saving of £9,224.66 (these figures are included within National Fraud Initiative savings in the table showing savings).
- 3.7 Council Tax Reduction – Four cases have been closed in this quarter generating a total recoverable income of £5,800.11 and a preventative saving of £1,321.28
- 3.8 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. Over the third quarter, 14 cases were closed generating a recoverable Housing Benefit overpayment of £21,099.23 and a preventative saving of £9,015.04.
- 3.9 Housing debtors – 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 £2,950.48 during this period which otherwise might have been written off.

The team have also started assisting the Homes First officers trace former tenants with outstanding recharges and during this quarter three former tenants were traced with an outstanding debt of £2,865 owed to the council.

- 3.10 National Fraud Initiative – The 2020/21 exercise has now been completed with only a small number of cases investigated during this quarter. Across the two years, 1789 cases were reviewed and, of those, 16 were found to hold errors which has created a total amount of £28,138.32 in overpayments. Data for the 2022/23 exercise has been uploaded to the National Fraud Initiative with the first results expected in the 4<sup>th</sup> quarter.
- 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 the quarter the team dealt with seven Data Protection Act requests from the Police and other authorities. In addition, nine fit and proper person checks were completed for new or renewal House in Multiple Occupation (HMO) licences.
- 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 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 will add 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 During the quarter being reported, the following statement was received from the Boards of:
- Cloud ConnX Ltd
  - Eastbourne Homes Ltd
  - Eastbourne Housing Investment Company Ltd
  - South East Environmental Services Ltd
  - Aspiration Homes Limited

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

#### **5 Financial appraisal**

- 5.1 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.

## **6 Legal implications**

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

## **7 Risk management implications**

7.1 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.

## **8 Equality analysis**

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

## **9 Environmental sustainability implications**

Not applicable

### **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