

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

27 September 2021

Report of the Chief Audit Executive

Part 1- Public

Matters for Information

1 INTERNAL AUDIT AND COUNTER FRAUD UPDATE

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function for the period April 2021 to August 2021.

Internal Audit Update

1.1 Introduction

1.1.1 The Accounts and Audit Regulations require the Council to *undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.*

1.1.2 The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to *report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan.* For TMBC, the "Board" is considered to be the Audit Committee.

1.2 Internal Audit and Counter Fraud Resource Update

1.2.1 The shared service agreement between Tonbridge and Malling (TMBC) and Kent County Council (KCC) has now been signed and will begin on 1st October 2021. KCC will, from this date, provide all Internal Audit and Counter Fraud services for TMBC. This will include the transfer of the Fraud Officer and Intelligence Officer to KCC.

1.2.2 The Fraud Officer has now started her maternity leave. This has led to a short-term gap in resources. Recruitment is underway by KCC to provide cover for this post and ensure sufficient resource to deliver the Counter Fraud plan.

1.3 Progress against the 2021/22 Plan

1.3.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2021/22 was approved by Members of the Audit Committee in April 2021 and work started on

the plan in June 2021. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2021/22 against the Plan. The Plan reflects all work to be undertaken by the team during the financial year, containing both assurance work and consultancy work.

- 1.3.2 Since the last Audit Committee in July, progress against the Audit Plan has been good, considering staff leave during August. Currently the plan is broadly on target, although there are 2 quarter 2 audits that have been delayed until later in the year, and there is also a relatively high number of audits due to start in Quarter 3.
- 1.3.3 We have issued 1 draft report and a further audit is nearing completion. There are another 3 audits currently being undertaken in fieldwork and 4 others currently being planned with the business. A summary of the current status of all audits on the 2021/22 Plan is attached at **[Annex 1]**. Definitions of Audit Opinions are provided at **[Annex 2]**.

1.4 Quality Assurance and Improvement Programme and Conformance with the Public Sector Internal Audit Standards

- 1.4.1 As part of the PSIAS, Internal Audit is required to maintain a Quality Assurance and Improvement Programme (QAIP), which is overseen by the Audit Committee. The QAIP summarises all of the measures in place to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement and learning for the team. Oversight of the QAIP enables the Audit Committee to discharge its duty to ensure an adequate and effective internal audit function.
- 1.4.2 An External Quality Assessment (EQA) was last undertaken between January and March. Recommendations were raised and a subsequent response and improvement plan was developed. The first of these actions are due in the coming months and an up[date on progress/implementation will be presented to the Audit Committee in January 2022.

Counter Fraud Update

1.5 Prevention and Detection of Fraud, Bribery and Corruption

- 1.5.1 This section of the report provides details of the Council's activity in preventing and detecting fraud, bribery and corruption in the year 2021/22 to date.
- 1.5.2 The Council proactively takes part in the National Fraud Initiative (NFI), a biennial nationwide data matching exercise comparing computer records held by the Council against those held by other councils and other bodies. To date, we currently have 767 matches received from the 2021 biennial exercise and to date

2 have been closed with no further action and the remainder have not been actioned as yet.

- 1.5.3 Annual data matching is also undertaken through NFI between the Electoral Register and Council Tax Single Person Discount data; the most recent results were received in December 2020. There were 886 matches received including those marked as “rising 18’s matches”, 475 have been closed with no further action required and 169 have been closed as errors resulting in underpayments totalling £58,586.31. This is money owed to the Council. Of the remaining matches, 62 are subject to further enquiries and 180 have yet to be reviewed.
- 1.5.4 An additional data matching exercise, known as supplementary, using Council Tax Single Person Discount data to a myriad of other data sets held, resulted in 1,498 matches in May 2021. To date 528 have been closed with no further action required, 1 has been closed as an error at a value of £794.27 and 17 are currently under investigation. This leaves 952 outstanding to be reviewed.
- 1.5.5 We also received a Council Tax to HMRC Household composition match in August 2019. There were 2,482 matches received of which 1,267 have been closed with no further action required, 16 have been closed with errors identified resulting in underpayments of £8,242.12, and 20 are subject to further enquiries along with 1,179 yet to be reviewed.
- 1.5.6 The Kent Intelligence Network (KIN), a government funded partnership led by Kent County Council, has been in place since September 2016. The partnership’s key aim is to prevent and detect fraud, reduce partner’s fraud risk profiles and support development of fraud professionals in Kent. It delivers a data matching function across Kent designed to address key fraud risks identified by the partners allowing a more bespoke approach and broader scope than the NFI.
- 1.5.7 The key focus area for 2021/22 has looked at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business premises. For Single Person Discount activity, there has been an additional £13,606 in additional Council Tax liability being identified and £5,437 in future increased annual liability through the removal of Single Person Discounts.
- 1.5.8 In 2018, Kent Finance Officer Group (KFOG) agreed to fund the procurement of a software solution that focuses on data matching businesses in receipt of Small Business Rates Relief (SBRR) nationally, the cost contribution from Tonbridge and Malling was £1,000. Data matches received through this route have been reviewed. The total income due so far in 2021/22 is £42,427 with increased annual liability of £5,685.
- 1.5.9 We have also identified through the KIN activity unrated business rates properties, this has seen an additional £49,309 in business rates being identified, increasing business rates income.

1.5.10 In addition to business rates, we have also identified through the KIN activity unrated council tax properties, usually annexes, which are currently being investigated.

1.6 Investigating Fraud, Bribery and Corruption

1.6.1 The Counter Fraud Team is responsible for investigating all allegations of fraud, bribery and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required. The Team works as and when required with a number of external agencies including the Department for Work and Pensions (DWP), the UK Border Agency, Kent Police and NHS Fraud to progress investigations.

1.6.2 In 2021/22, a total of 72 referrals were received. The Counter Fraud Team has closed 1 case as no further action. There are currently 18 ongoing investigations, including 14 that have been completed, but are awaiting sign off by the Counter Fraud Manager. Of the 53 remaining referrals 9 were not progressed to investigation, 26 were passed to external agencies or other TMBC departments for action and 18 referrals are currently being evaluated. The total amount of income due as a result of investigations concluded in 2021/22 is zero.

1.7 Legal Implications

1.7.1 The Accounts and Audit Regulations place a statutory requirement on local authorities to undertake an adequate and effective internal audit of systems of risk management, governance and control in line with the PSIAS.

1.7.2 The Council has a legal duty under s151 of Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.

1.7.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.8 Financial and Value for Money Considerations

1.8.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

1.8.2 Fraud prevention and detection is an area subject to central government focus with initiatives such as the National Fraud Initiative and Local Government Counter Fraud and Corruption Initiative. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

1.9 Risk Assessment

- 1.9.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its framework for governance, risk management and control.
- 1.9.2 Failing to have an efficient and effective Counter Fraud function could lead to an increased level of fraud. This report, summarising the work of the Counter Fraud function, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

Background papers:

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Nil

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