

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

04 April 2022

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 March 2022.

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 Progress against the 2021/22 Plan

1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2021/22 was approved by Members of the Audit Committee on the 6 April 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.

1.2.2 Progress against the 2021/22 Internal Audit Plan has improved during the period. From the 1 October 2021, the provision of Internal Audit has been delegated to Kent County Council and the subsequent increase in resources pool has meant all audits have started and are scheduled for completion in time to inform the Chief Audit Executive's annual opinion.

- 1.2.3 The current Audit Plan has been amended since the previous Committee and the Audit Plan on the Waste Contract has been cancelled from 2021/22 due to pressures of resources in the service and ongoing legal work. It has subsequently been added for areas of consideration for 2022/23. At the Audit Committee in January, we informed members of the need to defer the Cyber Security audit until 2022/23 due to the recruitment of a specialist IT auditor. This process is complete, and the new IT auditor is due to start in April. This will allow the commencement of this audit.
- 1.2.4 All audits on the 2021/22 Internal Audit Plan have now been commenced. 8 final reports have been issued so far this year with 6 being issued since the previous Audit Committee. This included one report issued with a 'No Assurance' opinion relating to Data retention, principle 5 of the General Data Protection Regulation (GDPR). Details of the findings are drawn to Members' attention at **[Annex 1]**.
- 1.2.5 A further 6 audits are at draft report or quality assurance stage, with another 4 audits in progress and 3 that are being planned. A summary of the current status of all audits on the 2021/22 Plan, including a summary of findings where finalised, is attached at **[Annex 1]**. Definitions of Audit Opinions are provided at **[Annex 2]**.

Counter Fraud Update

1.3 Prevention and Detection of Fraud, Bribery and Corruption

- 1.3.1 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.
- 1.3.2 Work continues to support the assessment of Business Rates grants with the Counter Fraud Team supporting in conducting pre-payment checks on grants. This is being achieved through data matching against company house data to ensure the business is active. Further work on post payments checks commenced in January 2022 with grant payments being subject to a National Fraud Initiative (NFI) check.
- 1.3.3 Reviewing of the NFI matches continues, a breakdown of matches received and progress against them can be found at **[Annex 3]**. The annual data match between Council Tax Single Person Discount and the Register of Electors has been uploaded and results received in January 2022.
- 1.3.4 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. 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. Data matches received through this route have been reviewed.
- 1.3.5 The total amount of underpayments identified to date is:

Removal of Small Business Rate Relief - **£109,183** (+£38,038 in future income)

Unrated Business Rates - **£84,488** (+£83,084 in future income)

Removal of Council Tax Discounts/ Exemptions - **£163,878** (+£82,559 in future income) .

- 1.3.6 Funding from KCC continues to support the identification of council tax cases where information held elsewhere, including credit reference agencies, indicates a discount or exemption awarded may be erroneous. Reviews of other discount and exemption has progressed with reviews against, student and awaiting probate exemptions/ discounts. Further reviews will be progressed in future on the other exemption/ discount types.

1.4 Investigating Fraud, Bribery and Corruption

- 1.4.1 The Counter Fraud Team is responsible for investigating all allegations of fraud, bribery and corruption, whether this is through internal fraud, 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 mainly the Department for Work and Pensions and other local authorities to progress investigations.

- 1.4.2 In 2021/22 to end of quarter three, the Counter Fraud Team have received a total of 70 referrals, the majority of which relate to referrals relating to Housing Benefit & Council Tax reduction. Cases where there is a Housing Benefit entitlement are being referred to the Department for Work and Pension for investigation, however their Counter Fraud Service is still not fully operational following Covid-19. Civil penalties (net) in the amount of £2,660 were also applied.

1.5 Legal Implications

- 1.5.1 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.
- 1.5.2 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.
- 1.5.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.6 Financial and Value for Money Considerations

- 1.6.1 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.

1.6.2 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.

1.7 Risk Assessment

1.7.1 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.

1.7.2 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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