

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

26 September 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 2022 to August 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 Internal Audit and Counter Fraud Resource Update

1.2.1 The Internal Audit Counter Fraud service, with the exception of a specialist IT auditor, are currently fully resourced for the completion of the TMBC 2022/23 Internal Audit and Counter Fraud Plan.

1.2.2 We currently hold a vacancy for the post of Principal IT Auditor, after the previous post holder left soon after starting. Council pay grades have proved insufficient to attract a permanent in-house specialist IT Auditor within a challenging market. This has led to the Cyber Security and IT Infrastructure audits being further delayed. The post is currently being advertised with a market premium.

1.3 Progress against the 2022/23 Plan

1.3.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2022/23 was approved by Members of the Audit Committee in April 2022 and work started on the

plan in June 2022. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2022/23 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.
- 1.3.3 We have issued 1 final report and 1 draft report and a further 2 audits are nearing completion. There are another 5 audits currently being undertaken in fieldwork and 5 others currently being planned with the business. A summary of the current status of all audits on the 2022/23 Plan is attached at **[Annex 1]**. Definitions of Audit Opinions are provided at **[Annex 2]**.

Counter Fraud Update

1.4 Prevention and Detection of Fraud, Bribery and Corruption

- 1.4.1 This section of the report provides details of the Council's activity in preventing and detecting fraud, bribery and corruption in the year 2022/23 for quarter one.

National Fraud Initiative

- 1.4.2 The Counter Fraud Team continue with the review of reports provided as part of the biennial data matching exercise for 2020/21 and the NFI's annual exercise. The progress of the exercises for quarter one is included in **[Annex 3]**.
- 1.4.3 The 2020/21 biennial exercise summary in **[Annex 3]** shows a total of 871 matches were released. The Counter Fraud Team have progressed 452 matches and 34 matches which remain open for further investigation.
- 1.4.4 The biennial exercise has not identified any fraudulent matches however, a £77,760 notional cost saving has been recorded from the review of the DWP deceased to waiting list applicant report. A total of 24 people were removed from the Council's waiting list. The Cabinet Office estimate a £3,240 notional cost saving per applicant from the list.
- 1.4.5 The annual exercise includes the reports; Council Tax Single Person Discount to Register of Electors, Single Person Discount to HM Revenue and Customs, and Single Person Discount to other data sets.
- 1.4.6 **[Annex 3]** shows the breakdown of progress of the annual exercise for quarter one. A total of 3,868 matches were released and 354 matches have been reviewed. The outcome of the matches that have been completed has resulted in increased council tax liability of £22,305. The team continue to progress with the review of the annual exercise.
- 1.4.7 The work programme for the 2022/23 biennial NFI exercise has been released and the Counter Fraud Team are engaging with the relevant internal teams to progress

collection of data. In addition to the usual data sets, business rates and business support grants will be mandatory datasets for the 2022/23 exercise as post event assurance.

Kent Intelligence Network

1.4.8 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2022/23 continues to look 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 and the Counter Fraud Team can report the following outcomes:

1.4.9 The outcome of the KIN work for Quarter 1 to date:

Single person discount to financial matches £1,901 increased council tax liability

Small Business Rate Relief £12,679 increased liability annually

Retriever Debtor Tracing £39,975 for recovery action

1.4.10 A local initiative is being progressed by the Counter Fraud Team to review Council Tax discounts and exemptions. The results of the review can be seen in **[Annex 4]**. A full review of all discounts and exemptions over one year old has resulted in a review of 200 discounts and exemptions which has identified a total of £25,911 in increased council tax liability. A further £16,353 has been written off as local authority error.

Fraud Awareness Sessions

1.4.11 In May 2022, the Counter Fraud Team appointed a Counter Fraud Technician (CFT) following the previous Technician being appointed as Counter Fraud Specialist at Kent County Council.

1.4.12 The newly appointed Counter Fraud Technician has met with Directors and Heads of Service to progress with the pro-active fraud awareness sessions in line with the Counter Fraud Plan for 2022/23. The purpose is to deliver tailored training to raise awareness to staff and to provide them with information on how to report suspected instances.

1.4.13 The Counter Fraud Team has also provided an active role on the Energy Rebate scheme project working group. The team's role in the project was to identify any fraud risks and to complete verification checks on residents claiming for the rebate through a government portal to ensure the energy rebate money was paid to the intended recipient.

1.5 Investigating Fraud, Bribery and Corruption

1.5.1 The Counter Fraud Team received 36 referrals in quarter one. The most common type of referral was Council Tax Reduction with Housing Benefit/ Universal Credit.

A total of 18 referrals of this fraud type was reported in quarter one to the Counter Fraud Team.

- 1.5.2 Of the 36 referrals, 34 were received from members of the public and two from staff. It is expected the planned fraud awareness sessions could increase the number of referrals made by staff.
- 1.5.3 Of the 36 referrals, 12 have been closed as no further action, 14 cases where there is housing benefit entitlement have been referred to the Department for Work and Pension for investigation. However, the DWP Counter Fraud Service is still not fully operational due to resourcing and Covid-19 and this has meant there are delays in joint working cases or outcomes to external referrals. 4 have been reported internally for discount or exemption review and 6 cases remain open for investigation.

1.6 Legal Implications

- 1.6.1 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.
- 1.6.2 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.
- 1.6.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.7 Financial and Value for Money Considerations

- 1.7.1 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.
- 1.7.2 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.

1.8 Risk Assessment

- 1.8.1 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.
- 1.8.2 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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