

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

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.

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 2022/23 Plan

1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2022/23 was approved by Members of the Audit Committee on the 1 April 2022. The purpose of this part of the 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.

1.2.2 Progress against the 2022/23 Internal Audit Plan is currently on target. And all outstanding audits have scheduled completion dates before the Annual report is presented to Audit Committee in July 2023

1.2.3 Audits on the 2022/23 Internal Audit Plan have now been commenced. 8 final or draft reports have been issued so far this year. Of the remaining 13 audits in progress all but 1 is due for completion in April and May. A summary of the current status of all audits on the 2022/23 Plan, including a summary of findings where finalised, is attached at **[Annex 1]**.

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 and corruption in the year 2022/23 to quarter three.

National Fraud Initiative

1.3.2 The Counter Fraud Team has collated the data specified by the Cabinet Office for the 2022/23 exercise. This includes reviewing the data to ensure it complies with the formats required and uploading in the required timescale.

1.3.3 The NFI biennial exercise matches were released from 26 January 2023. A total of 585 matches have been released and **[Annex 2]** shows the reports included in this exercise.

1.3.4 In addition to the biennial exercise is the ReCheck flexible data matching service which TMBC have committed to an annual upload. The matches were released in December 2022. **[Annex 2]** shows the matches released as part of the ReCheck exercise.

1.3.5 The Counter Fraud Teams performance against the NFI matches completed will be presented at the next Audit Committee with the result for quarter four.

Kent Intelligence Network

1.3.6 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:

- Single person discount to financial matches £9,789 increased council tax liability
- Unrated Businesses £292,909 increased liability
- Small Business Rate Relief £51,797 increased liability annually
- Untaxed Residential properties £12,523 increased liability
- Retriever Debtor Tracing £146,499 for recovery action

Fraud Awareness Sessions

1.3.7 The team successfully delivered training to staff in the Revenue and Benefits Team in December 2022. The aim of the sessions was to provide greater awareness about fraud and how it can be committed against the Council by

internal and external fraud threats. The session provided clarity around the fraud referral process and enabled staff to meet the Counter Fraud Technician responsible for the TMBC referral management and investigation process. Feedback forms were sent to Revenue and Benefit Team after the session. The overall response was extremely positive.

- 1.3.8 The Counter Fraud Team are available to deliver tailored sessions to individual teams or attend team meetings as guest speakers to raise awareness of current and emerging risks.

Investigating Fraud, Bribery and Corruption

- 1.3.9 A total of 90 referrals have been received by the Counter Fraud Team. The most reported fraud type is Single person discount a total of total of 37 referrals have been received. The second most common type of referral that has been received is council tax reduction where housing benefit or universal credit is in payment. A total of 34 referrals of this fraud type have been reported up to and including quarter three
- 1.3.10 The main source of referrals are listed as members of the public which totals 51. A total of 87 referrals have been closed and three remain open for investigation.
- 30 cases have been referred externally to the DWP.
 - 29 cases closed, where no further action is required.
 - 24 cases have been referred internally.
- 1.3.11 Included in the closed cases is a Council Tax Reduction with Benefit in payment referral, investigated by the DWP resulting in a recoverable overpayment of £26,104.
- 1.3.12 The Counter Fraud Team undertook an investigation into a company that was using the Councils logo on their website. A cease-and-desist letter was issued by the Counter Fraud Team. The use of the logo could mislead the public into thinking that the Council had certified the company for use. Following correspondence between the Director of Planning, Housing and Environmental Health the logo has been removed from the companies website.

1.4 Legal Implications

- 1.4.1 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.
- 1.4.2 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.

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

1.5 Financial and Value for Money Considerations

1.5.1 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.

1.5.2 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.

1.6 Risk Assessment

1.6.1 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.

1.6.2 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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