

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**25 September 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 2023/24 Plan**

- 1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2023/24 was approved by Members of the Audit Committee on the 17 April 2023. The purpose of this part of the report is to provide Members with an update on the progress of the Internal Audit team in 2023/24 against the Plan. The Plan reflects all work to be undertaken by the team during the financial year.
- 1.2.2 Progress against the 2023/24 Internal Audit Plan is on target. And all current audits have been commenced. There are 3 finalised reports and summaries are presented to Audit Committee in this progress report.

<b>Audit</b>	<b>Opinion</b>
Risk Management	Adequate
Fire Safety	Substantial
Customer Services – Tonbridge Castle Review	Substantial

1.2.3 A summary of findings, where finalised, is attached at **[Annex 1]**.

#### **Additions to the Internal Audit and Fraud Plan 2023/24**

1.2.4 To ensure that the Plan is able to be flexible and respond to key risks; Members approved, at Audit Committee on 17 April 2023, 10 audits that were prioritised and scheduled for the first 6 months of 2023/24. The remaining identified reviews were presented to be kept under consideration and along with other emerging risks to the Authority, discussed with Directors as part of the 6-monthly liaison and planning meetings.

1.2.5 Following these planning meetings it is proposed that an additional 8 audits be added to the Internal Audit and Fraud Plan for 2023/24. Details of these additions are detailed at **[Annex 2]**.

### **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 during quarter 1 of 2023/24.

#### **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 and flexible data matching service is progressing with matches being reviewed by relevant teams. To date this has identified £44,786 in additional Council Tax liability.

1.3.4 A decision has been made to not progress any further the Council Tax to other data sets data match. This is due to only 0.5% of matches reviewed so far resulting in a change in liability, therefore it would not be cost effective to progress this match which is of poor data quality.

#### **Kent Intelligence Network**

1.3.5 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2023/24 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business premises.

1.3.6 In addition, a review of all discounts/exemptions within Business Rates is under way, the review is to reaffirm the award of a discount/exemption or to amend the account if circumstances have changed.

1.3.7 During quarter 1 the following results have been achieved:

- Single person discount to financial matches £6,856 increased council tax liability
- Single person discount to NFI matches £27,968 increased Council Tax liability
- Unrated Businesses £131,599 increased liability
- Retriever Debtor Tracing £66,447 for recovery action

### **Investigating Fraud, Bribery and Corruption**

1.3.8 A total of 22 referrals have been received by the Counter Fraud Team during quarter 1. The most reported fraud type is single person discounts where 12 referrals have been received. The second most reported fraud type is council tax reduction where a total of eight referrals have been reported.

1.3.9 A total of 26 cases were carried forward from 2022/23, from the 22 new referrals and 26 cases carried forward 33 of these have been closed during quarter 1. The outcomes of these cases are:

- 7 cases have been referred externally to the DWP.
- 14 cases closed, where no further action is required.
- 10 cases have been referred internally.
- 2 cases closed; housing application withdrawn.

## **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:

Nil

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Chief Audit Executive