

**Decision Maker:** **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Date:** **Tuesday 7 November 2023**

**Decision Type:** Non-Urgent                      Non-Executive                      Non-Key

**Title:** **INTERNAL AUDIT AND FRAUD PROGRESS REPORT**

**Contact Officer:** Francesca Chivers, Head of Audit and Assurance  
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**Chief Officer:** Director of Finance

**Ward:** (All Wards);

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1. Reason for decision/report and options

This report provides an update on Internal Audit activity and outcomes to date in the 2023/24 financial year. It also provides an update on counter fraud activity for the first half of 2023/24.

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2. **RECOMMENDATION(S)**

a) **Note the Progress Report and comment on matters arising.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: Some audit findings could have an impact on services for vulnerable adults and children.
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### Transformation Policy

1. Policy Status: Not Applicable
  2. Making Bromley Even Better Priority:  
(5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Audit and Assurance
  4. Total current budget for this head: £640, 240
  5. Source of funding: General Fund
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### Personnel

1. Number of staff (current and additional): 6.5 FTE Internal Audit staff (establishment)
  2. If from existing staff resources, number of staff hours:
- 

### Legal

1. Legal Requirement: Statutory Requirement: Under the Accounts and Audit Regulations 2015, the Council is required to maintain an effective Internal Audit function.
  2. Call-in: Not Applicable:
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### Procurement

1. Summary of Procurement Implications: Some audit findings could have procurement implications.
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### Property

1. Summary of Property Implications: Some audit findings could have property implications.
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### Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None
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### Customer Impact

1. Estimated number of users or customers (current and projected): Internal Audit activity is relevant to all of the Council's stakeholders.
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### 3. COMMENTARY

#### 3.1 Internal Audit Progress and Outcomes

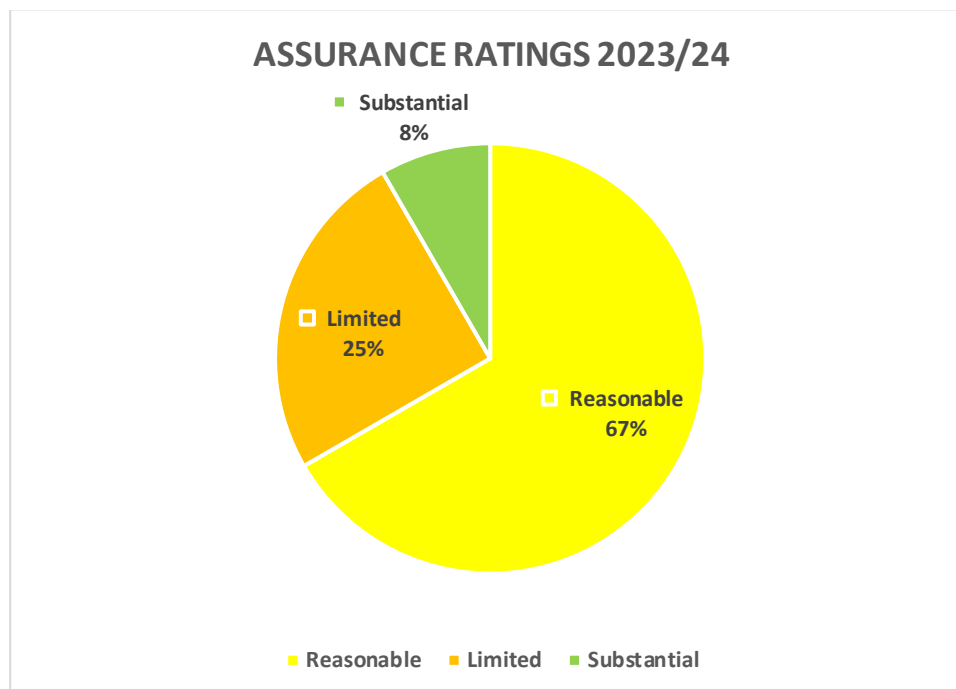
- 3.1.1 Internal Audit provides regular progress reports to Audit and Risk Management Committee, covering activity, performance and outcomes. These reports are a requirement of Public Sector Internal Audit Standards (PSIAS). However, they also enable Audit and Risk Management Committee to discharge its duty to oversee Internal Audit in the Council, including to ensure its independence and effectiveness.
- 3.1.2 This progress report provides an update on internal audit activity and outcomes to date against the Plan for 2023/24 that was agreed by Members of Audit and Risk Management Committee in March 2023. The report also contains a summary of progress against recommendations arising from internal audit work. The definitions of our assurance and priority ratings are provided in **Appendix B**.
- 3.1.3 **Table 1** below shows current progress against the 2023-24 Internal Audit Plan, as at 31<sup>st</sup> October 2023, including outcomes where applicable. This includes audits that were carried forward from the 2022/23 Plan, or which had not been finalised in time for the 2022/23 Annual Opinion.
- 3.1.4 In summary, 12 audits are complete, 10 audits are at fieldwork or reporting stages and four are in planning. We have continued to face resourcing pressures in 2023/24: from a team of six auditors, one member of staff has been on sick leave since the end of June, one has gone on secondment from September 2023 until the end of May 2024 and two have reduced their hours under the Council's flexible working policy. Whilst we have engaged some additional contractor resource to partially compensate for these reductions, we are not as far ahead with the 2023/24 Plan as we would like to be.
- 3.1.5 One of our Principal Auditors, Barrie Cull, has tendered his resignation and will be leaving the Council in early January 2024. Barrie has most recently worked in Bromley as a Principal Auditor since May 2015 but, prior to that, also worked for Bromley's Internal Audit Service between 2006 – 2009. I would like to record my thanks to Barrie for his significant contribution during his time at Bromley both to the service and to the Council as a whole.

<b>Table 1 – 2023/24 Internal Audit Plan</b>	
<b>Audit</b>	<b>Status and Assurance Opinion</b>
Temporary Accommodation Housing Rents (carried forward from 2022/23)	Complete – Reasonable Assurance
Domestic Abuse (carried forward from 2022/23)	Complete – Limited Assurance
Transformation (carried forward from 2022/23)	Complete – Reasonable Assurance
Gifts and Hospitality / Declarations of Interest (carried forward from 2022/23)	Complete – Reasonable Assurance
Highways – Management of Major Works (carried forward from 2022/23)	Complete – Limited Assurance
Discharge to Assess (carried forward from 2022/23)	Draft Report issued 6 September 2023
Domiciliary Care (carried forward from 2022/23)	Complete – Limited Assurance
Parking Income (carried forward from 2022/23)	Review
Social Care System – Implementation review (carried forward from 2022/23)	Fieldwork
Staff Wellbeing (carried forward from 2022/23)	Not yet started
Housing Capital Schemes (carried forward from 2022/23)	Complete – Reasonable Assurance
Grant assurance work including Supporting Families and Disabled Facilities Grant	Supporting Families – Complete DFG - Fieldwork
Recruitment and Retention	Not yet started
Health and Safety Framework – Authority Wide	Fieldwork
Pre-Employment Checks	Complete – Reasonable Assurance
Medium Term Financial Strategy	Complete – Substantial Assurance
Liberata Contract Management	Planning
Personal Data Breaches	Complete – Reasonable Assurance
Cloud Design and Migration Plan	Planning
IT Procurement (Advisory)	Undertaken in 2022/23, additional time in 2023/24 not required to date
CQC Inspection Preparation	Not yet started
Learning Disabilities	Not yet started
Safeguarding Adults	Not yet started
Quality of Care – Adults	Not yet started
Leaving Care	Not yet started
Children and Young People’s Mental Health and Emotional Wellbeing	Planning
Schools Rolling Programme	Southborough – Complete – Reasonable Assurance St Olaves – Complete – Reasonable Assurance
Street Environment (Contract Management)	Draft Report issued 26.10.23
Community Safety	Fieldwork
Health and Safety Framework – Environment and Public Protection	Fieldwork
Homes for Ukraine	Fieldwork
Quality of Accommodation (TA)	Planning
Contract Management – Property	Fieldwork

3.1.6 Summaries of the completed substantive audits are provided in **Appendix A**. The full redacted reports for these audits have also been published with the agenda as an information briefing, if Members require further information.

3.1.7 A summary of outcomes (assurance levels) to date in graphical format is shown below.

**Diagram 1 – Assurance Ratings**



3.1.8 The audit opinions are currently weighted towards 'Reasonable' which continues the pattern of previous years. At this point in the year, 75% of audits have received 'Reasonable' or 'Substantial' assurance which compares to a year end position in 2021/22 of 77% and a year end position in 2022/23 of 87%. Although it is too early in the year to draw meaningful comparisons, as we do not have a sufficient total number of completed audits, the opinions indicate that many controls are in place and are working effectively to mitigate associated risks.

3.1.9 All of the audits that we have undertaken in the year to date regarding core support functions (Pre employment checks, Personal Data Breaches, Gifts and Hospitality / Declarations of Interest) received 'Reasonable' assurance. These audits are important both because they underpin the effective running of the organisation as whole and because the effectiveness of controls in these areas does, to a degree, provide an indicator of organisational culture.

3.1.10 We also noted that:

- There were examples of good practice in managing the delivery of capital schemes (Housing and Highways).
- National Fraud Initiative data matching between Payroll / Creditors / Companies House did not highlight any significant concerns (ie to indicate conflicts of interest or potential abuse of position).
- There were examples of positive working with external partners. The strategic partners that we interviewed for the Domestic Abuse audit confirmed that the service has established strong working relationships with them. We also found that the Domiciliary Care Providers Forum was working effectively.

- Both of the Schools audits we have carried out this year have received ‘Reasonable’ assurance with no ‘Priority 1’ recommendations.

3.1.11 We have issued three ‘Limited’ Assurance audits: Highways - Management of Major Works, Domiciliary Care and Domestic Abuse. Each of these audits contained one ‘Priority 1’ recommendation and the reasons for the ‘Limited’ assurance were diverse, as outlined below.

Audit	Key issue
Highways – Management of Major Works	<ul style="list-style-type: none"> <li>• Processes had changed for remote working and not since reviewed. Consequently, there was no evidence retained that the Council had verified work completed prior to payment. Management advised that checks had been completed but communicated verbally and not documented.</li> </ul>
Domiciliary Care	<ul style="list-style-type: none"> <li>• There was limited evidence / information to evaluate whether the contracts are achieving their objectives and desired outcomes. This information will be critical to inform the commissioning approach going forwards.</li> </ul>
Domestic Abuse	<ul style="list-style-type: none"> <li>• There was insufficient cross-organisational ownership, awareness and oversight of the Domestic Abuse Strategy, including monitoring the Strategy against delivery of outcomes.</li> </ul>

3.1.12 **Table 2** on page 9 shows the assurances that Members have received (and are due to receive) mapped against the risks identified on the Corporate Risk Register. This map does not mean that the identified risks and associated controls are fully covered by our audits but indicates where Members may receive some assurance through our work.

3.1.13 ‘Failure to deliver a sustainable financial strategy’ is currently the net highest risk on the Corporate Risk Register. Our audit of Medium Term Financial Strategy – Planning, Forecasting and Governance Arrangements provides ‘Substantial’ assurance over many of the controls and processes in place to manage this risk, as far as possible. There remains considerable uncertainty and challenges in the financial outlook, due to inflation, demand and other pressures and so ongoing assessment, identification of savings opportunities, and monitoring will be required. This risk is interlinked with another net ‘High’ risk on the Corporate Risk Register – ‘Failure to deliver Transforming Bromley Programme’ as the Transformation Programme is crucial to the Council’s ability to deliver a sustainable financial strategy. Our separate audit of ‘Transformation’ also received ‘Reasonable’ assurance.

3.1.14 We have also finalised our audit of Personal Data Breaches with ‘Reasonable’ assurance (linking to the GDPR net high risk) and the Temporary Accommodation Housing Rents audit (linking to the TA net high risk). As a note of caution, both of these audits provide assurance over specific controls and aspects of the risk, rather than the risks in their entirety. Fieldwork is in progress against all other net ‘High’ risks except the Accommodation Move (for which proposed audit involvement is set out in the Audit Plan as a separate agenda item).

3.1.15 **Diagram 2** on page 10 shows the audits completed so far in 2023/24 as mapped to the ambitions set out in ‘Making Bromley Even Better’. Audits relating to Ambitions 1, 3 and 5

currently have all 'Reasonable' or 'Advisory' ratings, together with one 'Substantial' in Ambition 5. Audits to date relating to Ambitions 2 and 4 are discussed in 3.1.11 above.

3.1.16 We have highlighted below some emergent themes from our work in the first half of this financial year.

- Policies and Procedures – As with previous financial years, we continue to raise issues regarding policies and procedures which either have not been reviewed for some time or have not been reviewed in line with pertinent changes. For example, we have raised recommendations where systems had changed but the policies and procedures had not been updated to reflect the new systems or the associated processes. We also found policies that had not been updated for several years. A secondary finding was that policies themselves often do not have a stated owner / author or set out the expected frequency of review, meaning that updates can be overlooked as there is no clear timescale or responsibility.
- Collective Ownership – We raised recommendations in two of our audits around the need to consider how collective responsibility can work more effectively in areas that have cross-cutting relevance. This can of course be particularly challenging when resources are stretched and there are multiple and competing priorities.
- Project Management – We have undertaken two pieces of work relevant to project management (Housing Capital Schemes and Transformation). Whilst both of these audits received 'Reasonable' assurance, the organisation's approach to project management needs further refinement and clarity to ensure that expectations for project managers are clear and there is consistency across the Council. This will help to ensure that the Council targets resource effectively and realises the intended benefits of projects whilst managing associated risks.
- Quality Assurance – We have raised recommendations relating to Quality Assurance processes in three of our audits, either because the QA process was not clear or because the documented QA process was not happening in practice. QA processes have been a consistent finding across our audit work for the past two financial years.
- Document Storage and Retention – We have raised a small number of recommendations regarding effective electronic document management. Whilst this may appear a minor issue, as the Council progresses with the office move and associated 'minimal paper' expectation, it will be important to ensure that strong digital information management is in place.



**Table 2 – Internal Audit Coverage of Corporate Risks**

<b>Risk</b>	<b>Current Net Rating</b>	<b>Audit Coverage 2023-24 to date</b>	<b>Outcomes</b>
<b>Failure to deliver a sustainable financial strategy</b>	20	Transformation Medium Term Financial Strategy	Reasonable Assurance Substantial Assurance
<b>Ineffective governance and management of contracts</b>	8	Domiciliary Care Street Environment in fieldwork, 2 other contract audits in planning	Limited Assurance TBC
<b>Failure to maintain and develop IT information systems</b>	8	Social Care System review and Cloud Design and Migration in fieldwork	TBC
<b>Cyber Attack and failure to comply with GDPR</b>	15	Personal Data Breaches	Reasonable Assurance
<b>Failure to maintain robust BC and EP arrangements</b>	8	None – Supplier BC arrangements reviewed in 2022/23 contract audits	NA
<b>Failure to deliver effective Children's Services</b>	10	Two schools complete	Reasonable Assurance
<b>Temporary Accommodation</b>	16	TA and Housing Rents	Reasonable Assurance
<b>Failure to deliver Transforming Bromley Programme</b>	15	Transformation	Reasonable Assurance
<b>Climate Change</b>	8	None – Net Zero in 2022/23	Reasonable Assurance in 2022/23
<b>Health and Safety (Fire and First Aid)</b>	15	Corporate Health and Safety and ECS Health and Safety in fieldwork	TBC
<b>Homes for Ukraine and other Refugee Programmes</b>	16	Homes for Ukraine in fieldwork	TBC
<b>Capital Financing Shortfall</b>	12	Housing Capital Schemes	Reasonable Assurance
<b>Operational Property Repair – Budget and Buildings Failure</b>	12	Advisory work as required	NA
<b>Recruitment and Retention</b>	9	Recruitment and Retention audit planned	TBC
<b>Accommodation Move to Direct Line Building</b>	16	None	NA

## Diagram 2 – Making Bromley Even Better



## 3.2 Follow up of Recommendations Raised

3.2.1 Follow up is an important part of internal audit work as it ensures that unacceptable risks identified during the course of our reviews are subsequently mitigated. We follow up all recommendations and report progress to senior officers and Audit and Risk Management Committee. Follow-up work, monitoring and reporting are proportionate to the level of risk and we undertake more follow up testing for higher risk recommendations. Definitions of our priority ratings are set out in **Appendix B**.

3.2.2 **Appendix C** lists all Priority 1 recommendations open as from the previous report to Audit and Risk Management Committee in July 2023 and provides a status update against each one. We have raised three new Priority 1 recommendations since the last report in relation to three separate audits (Domiciliary Care, Highways and Domestic Abuse). We have also closed one Priority 1 recommendation in relation to Drainage Cleaning. There are currently six open Priority 1 recommendations, three of which are in progress and three of which (those recently added) are not yet due for follow up. Further detail is provided in the appendix.

3.2.3 **Appendix D** summaries the Priority 2 and 3 recommendations that were due for follow up between April and September 2023. We have closed all recommendations relating to audits of VAT, Public Health Covid-19 Lessons Learned and HMO Licensing. Of 48 recommendations in total that we followed up, 32 have been closed and a further 13 are in progress.

## 3.3 Audit Activity (other work including advisory)

3.3.1 Since the last report to Audit and Risk Management Committee, we have continued to undertake ad-hoc advisory work as requested. This has included specific advice on a relocation payment, manual invoice checks and financial set ups in schools. We have continued to attend, and provide relevant updates to, Corporate Leadership Team and Chief Officer Executive.

## 3.4 Quality of Internal Audit

3.4.1 Audit and Risk Management Committee have an important role to play in ensuring the effectiveness of the internal audit function. To facilitate this role, the service undertakes quality assurance activity, the results of which are regularly reported to Audit and Risk Management Committee.

3.4.2 As part of our QA activity, we undertook a self-assessment against professional standards and reported the outcomes of this to Audit and Risk Management Committee in June 2022, alongside the resultant action plan. Subsequently, in 2023, we had our External Quality Assessment of the service and reported this to Audit and Risk Management Committee in July 2023, including the recommendations and our planned actions for these. I have now amalgamated both into a single quality action plan and current progress against this action plan is reported as **Appendix E**.

3.4.3 We have made progress against the action plan, including developing and finalising the Audit Manual, which was a cross-cutting action for many of the areas. The team as a whole has now also completed some core training. Key outstanding actions are the development of an assurance map and a data analytics strategy. Both of these are likely to be impacted by the resourcing issues explained earlier in this report (paragraphs 3.1.4 and 3.1.5).

3.4.4 Members are asked to note that the Institute of Internal Auditors, our professional body, will be launching a revised set of professional standards before the end of the financial year and I anticipate that we will then have a further year to implement these. I was part of the working group for the Local Authority Chief Auditors Network (LACAN) which fed back during the

consultation on behalf of the group as a whole. In my view, if the Standards remain as proposed, we will need to invest a significant amount of resource (personnel time) to ensure that these are implemented in the Council. However, I will provide further updates as these become available.

3.4.5 At the March 2023 Audit and Risk Management Committee, Members agreed a revised set of Key Performance Indicators (KPIs) for the section and current progress against these is set out below. Three are to be reported at year end, but we are on target for the majority of other KPIs. We are not achieving delivery of draft reports by the dates set out in the Terms of Reference for the audit, although the gap between target and actual is currently less than for 2022/23. We continue to work on ways to improve our efficiency. The Council is also below target on management actions implemented. These are discussed in section 3.2 above and Appendices C and D.

	<b>Description</b>	<b>Target / Measure</b>	<b>Year to date outcome</b>
<b>Management Actions</b>	Percentage of recommendations accepted by management	90%	93% (all P1 and P2 recommendations accepted)
	Percentage of agreed management actions implemented	90%	P2 & 3 – 80% P1 – 71%
<b>Efficiency</b>	% of audit plan delivered	90%	To be reported at year end
	Target draft report dates achieved (from date on final Terms of Reference)	80%	20%
<b>Value to organisation</b>	% client satisfaction	90%	100% (but only one received)
	Coverage of high and significant corporate risks	Provided via assurance map	See Table 2, p9
	Coverage of strategic objectives	Provided via assurance map	See Diagram 2, p10
	Compliance with PSIAS (provided via internal self assessment and External Quality Assessment)	Generally Conforms (to PSIAS)	To be reported at year end
<b>People Development</b>	Completion of core training and development plan by financial year end	90%	To be reported at year end

#### 4. Counter Fraud Activity

4.1.1 This report provides an update on both new and previous cases of fraud and special investigations. It also provides some information on pro-active fraud work.

### **Institute of Revenues Rating and Valuations (IRRV) Award**

4.1.2 The Fraud service is provided by the Royal Borough of Greenwich who investigate all allegations of fraud and maintain the fraud register. In October 2023, the Greenwich Fraud Team won the Institute of Revenues Rating and Valuations award in the category of Protecting the Public Purse for their work across Royal Borough of Greenwich and London Borough of Bromley. They were able to demonstrate that their systems and processes adequately addressed the risk of fraud as well as putting in place measures to prevent, detect and investigate frauds. The criteria for the award was 'evidence of high performance that had secured a measurable impact on fraud prevention or detection'.

### **Fraud Referrals and Investigations**

4.1.3 Between April and September 2023, a total of 147 referrals were received for investigation.

- 87 related to Blue Badges referred by Parking Services
- 24 were allegations received from members of the public (2 on the hotline, 4 emails and 18 through the LBB website)
- 18 were proactive investigations as a result of the SBRR exercise
- 5 were from Adult Social Care
- 4 were from the Advice and Benefits Team
- 4 were from another Local Authority
- 3 were from the DWP for joint working
- 2 were from Housing

4.1.4 The allegation types received for the 60 non Blue Badge cases were:

- 18 cases of Business Rates fraud (SBRR)
- 10 cases of Living Together as Husband & Wife
- 9 cases of Earnings / Undeclared Income
- 5 cases of Council Tax Fraud
- 3 cases of Direct Payment Fraud
- 3 cases of False Household Composition
- 3 cases of False Tenancy
- 3 cases of Vacated Address
- 1 case of False Identity
- 1 False Rehousing Application
- 1 Safeguarding case
- 1 case of subletting
- 1 case involving multiple claims across boroughs
- 1 case of Undeclared Capital

### **Blue Badge Fraud**

4.1.5 Members will be aware of the activity by the Shared Parking Service to combat the criminal offence of Blue Badge misuse. Civil Enforcement Officers (CEOs) carry out inspections of vehicles displaying a Blue Badge to determine whether misuse is taking place. High rates of

prosecution success have been achieved through close working with the Greenwich Fraud Team.

4.1.6 Following the discovery of a Blue Badge misuse, information is collated, and the case passed to the Greenwich Fraud Team. Referrals sent to the Fraud Team relate predominantly to allegations of lost, stolen or expired Blue Badges being displayed or the use of Blue Badges belonging to persons who are deceased.

4.1.7 The Greenwich Fraud Team carry out an investigation, identifying drivers, arranging interviews under caution, establishing intent and mitigation, and undertaking public interest and evidential tests on cases which may be suitable for prosecution before being passed to Legal for final authorisation. Attendance at IUCs is still intermittent and quite often two or three interviews are scheduled before the individual attends. Feedback is also provided where evidence or process errors affect the suitability for prosecutions so that this can inform CEO training.

4.1.8 Prosecutions are undertaken by Bromley Legal Services utilising the Single Justice Procedure, although the defendant has the right to request a traditional hearing in an open court. If they wish to plead not guilty, or otherwise want to have a hearing in a traditional courtroom, the defendant can indicate these wishes in the response to the single justice procedure notice. In such circumstances the case will be referred to a traditional court and the case will be managed in the normal way. If a single justice considers at any point that it would be inappropriate to conduct the case under the single justice procedure, the justice can refer it to a traditional magistrates' court.

4.1.9 **Table 3** below provides a comparison of referrals received for the last four financial years and the current year to date. The figures demonstrate a steady increase in the numbers of new cases being referred since the drop in 2020/21 which was due to the pandemic.

**Table 3 – Blue Badge Referrals**

	2019/20	2020/21	2021/22	2022/23	2023/24 (April – Sept)
Total	129	22	64	80	87

4.1.10 **Table 4** below provides a comparison of Blue Badge outcomes for the last four financial years and the current year to date:

**Table 4 – Blue Badge Outcomes**

	2019/20	2020/21	2021/22	2022/23	2023/24 (Apr-Sep)
Prosecutions	46	57	27	50	26
Warnings	30	30	13	8	3
Cautions			3	5	4
<b>Total</b>	<b>76</b>	<b>87</b>	<b>43</b>	<b>63</b>	<b>33</b>

**Cases Referred to DWP Single Fraud Investigation Service (SFIS) and Joint Working**

4.1.11 19 cases have been referred to the DWP SFIS between April and September 2023. These related mainly to benefit cases where allegations of undisclosed income and living together were made. None of these have involved joint working. However, the DWP had separately

requested joint working for three cases, one was accepted and involved a vacated address since 2016 where Housing Benefit and CTRS had been in payment. No CTRS was in payment for the other two cases which were not accepted.

- 4.1.12 The DWP need to adjudicate on entitlement to the benefit it administers before the Council can then determine if there is any impact on Housing Benefit or CTRS in payment. There were no Housing Benefit or Council Tax Reduction overpayments between April and September.
- 4.1.13 Between 1 April and 30 September 2023 there have been five cases of suspected Council Tax fraud. Four of these cases were referred to another LBB department to reassess the exemption and one exemption was removed. Three further Council Tax exemptions were removed as a result of investigations relating to false household composition.
- 4.1.14 There have been three cases of suspected vacated addresses. Two cases are still under investigation and one was referred to the Registered Social Landlord (RSL).
- 4.1.15 Following the June 2023 Fraud Awareness Training provided to Adult Social Care staff with a specific focus on Direct Payment Fraud, five cases were referred of which one is currently under investigation, one was a safeguarding assessment matter, two were referred to the DWP SFIS and one resulted in no fraud being proven.

## **Proactive Counter Fraud Work**

### **Fraud Awareness**

- 4.1.16 Throughout June and July, the Fraud Team provided fraud awareness training to Adult Social Care practitioners. The training was mandatory for all frontline staff and attendance was good. Since the training, we have received more referrals (see 4.1.15 above) from Adult Social Care which indicates that staff are now more alert to potential issues.

### **Small Business Rates Relief (SBRR)**

- 4.1.17 In October 2022 it was agreed that the Greenwich Fraud Team would undertake a proactive exercise involving Small Business Rate Relief (SBRR) in place on hereditaments within the London Borough of Bromley. The exercise was conducted in two separate tranches. The first was conducted via interrogation of the Council's database where businesses who were shown as having more than one liability were examined to see if they held a SBRR in respect of one of their addresses and then examined to establish whether the SBRR was in place correctly. There are circumstances where a SBRR can be awarded or retained even though the business may be liable for more than one hereditament.
- 4.1.18 The internal matching exercise identified 34 potential instances where it was felt the SBRR in place required further examination. There were 17 instances where the SBRR was withdrawn from the NNDR accounts and this totalled just over £236,905. Some accounts had the SBRR withdrawn on a backdated basis over a number of years. None of the cases were found to warrant prosecution. In some cases, it was clear that the Council already held sufficient information that should have classified the account as ineligible to receive the SBRR. The Council's Contract Manager has put additional monitoring and quality assurance checks in place as a result of these findings.
- 4.1.19 The second tranche involved providing a data extract to an external company who matched Bromley SBRR data with data held by other Councils across the UK. The external matching exercise identified 51 potential instances where it was felt the SBRR in place required further examination. There were 27 instances where the SBRR was withdrawn from the account and this totalled just over £459,155. Again, some accounts had the SBRR withdrawn on a backdated basis over a number of years.

- 4.1.20 In addition, a further £40,000 was identified in Covid Small Business Grants that were linked to SBRR entitlement. As the business was ineligible for SBRR, had the account been correct at the time of the grant award they would have been ineligible to receive the grant. One business has already repaid the £10,000 grant in full.
- 4.1.21 A number of businesses were formally interviewed under caution with a view to criminal prosecution and two of the cases have now been referred to Legal Services for consideration.
- 4.1.22 We will provide a further update to this Committee once the exercise is finalised and closed.



## 5. IMPACT ON VULNERABLE ADULTS AND CHILDREN

Recommendations arising from audits in Adults' and Children's Services will have implications for vulnerable adults and children.

## 6. FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports will have financial implications.

## 7. LEGAL IMPLICATIONS

Under the Accounts and Audit Regulations 2015, the Council is required to maintain an effective internal audit function to provide assurance on the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. Regular reporting to Audit and Risk Management Committee is a requirement of these Standards.

## 8. PROCUREMENT IMPLICATIONS

Some of the findings identified in the audit reports may have procurement implications.

## 9. PROPERTY IMPLICATIONS

Some of the findings identified in the audit reports may have property implications.

<b>Non-Applicable Headings:</b>	Transformation / Policy Implications Personnel Implications Carbon Reduction / Social Value Implications Ward Councillor Views Customer Impact
Background Documents: (Access via Contact Officer)	None